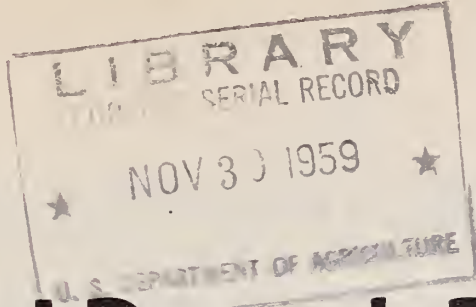


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The Agricultural Situation and Outlook for 1960

Approved by the Outlook and Situation Board, November 4, 1959

SUMMARY

Both prices and incomes to farmers may average somewhat lower in 1960 than in 1959. So far this year, prices received by farmers have averaged 4 percent under a year earlier, with substantial declines in prices of hogs, broilers and eggs. Some further slippage overall is indicated next year, primarily associated with larger marketings of cattle and hogs and modest reductions in price support levels for some commodities. This year, cost rates to farmers have averaged slightly above 1958, although holding essentially stable since January. For 1960, prices paid by farmers, may move to a slightly higher level. Price declines for products of farm origin such as food, feed and feeder livestock purchased by farmers may largely offset price rises for some industrial products as well as continuing increases in carrying charges on the larger farm mortgage debt, farm real estate taxes per acre and farm wage rates. The parity ratio, which in recent months has been the lowest in the post-war period, may slip further in 1960.

As of mid-year, the average value per acre of farm real estate was 6 percent higher than a year earlier, although, after March 1, the rise slowed appreciably. Thus, farm proprietors' net asset position is apparently improving further this year even though farm indebtedness has shown some increase.

Continued on page 2

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, November 4, 1959

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In the first 3 quarters of 1959, the seasonally adjusted annual rate of realized net farm income was \$11.2 billion compared with \$13.1 billion same period of 1958. This contrasts with an increase of over \$2 billion in realized net income from 1957 to 1958. The decline this year results from lower receipts from marketings, higher production costs for the sixth year in succession, and a substantial drop in Soil Bank payments resulting from the elimination of the Acreage Reserve Program. Farm inventories, particularly of cattle numbers, are rising substantially this year as producers continue to withhold from market and to build up herds. Some additional buildup in cattle numbers appears likely next year. For 1960, a further decline in realized net income is in view, perhaps about half as much as the drop this year, involving some lower cash receipts and a slight increase in production expenses, particularly in overhead items such as taxes, interest on debt and depreciation charges. On the other hand, the income of farm people from nonfarm sources which in 1958 accounted for 28 percent of their total net income increased this year and will likely rise further in 1960.

The main factors shaping the agricultural price and income outlook are the continued very heavy supply situation generally, accompanied by further accumulation of already excessive stocks of wheat and feed grains, and an increasing volume of livestock marketings; an enlarging domestic market for food and other farm products reflecting a growing economy, rising population and increasing consumer purchasing power; and a larger volume of exports of farm products, especially of cotton, in the current fiscal year than in 1958-59.

Total farm output this year is now expected to reach a new high, up slightly from 1958 and 25 percent above the 1947-49 average. Crop production, according to the October 1 report, is about equal to the 1958 record despite weather conditions much less favorable than last year. Although average yields showed some decline, some acreages which were idle under the Acreage Reserve Program in 1958 were returned to cultivation. Wheat production was sharply lower this year, but the corn and cotton crops were up substantially. Output of livestock and livestock products combined is running ahead of last year, primarily as a result of expanding hog production but also because broiler and egg production was up appreciably from 1958 earlier in the year. Dairy production so far this year has run slightly below a year ago, and the CCC inventory of dairy products has been reduced to the smallest in 7 years.

Even though wheat production is some 350 million bushels smaller this year, it may still exceed domestic use and exports during the current marketing year. Carryover stocks on July 1, 1960 will likely show some increase from the record stocks of about 1.3 billion bushels on July 1, 1959. Stocks of feed grains, increasing since 1952, are expected to show an increase from 67 million tons on October 1, 1959 to about 80 million tons by October 1, 1960. In the case of cotton, however, expansion of domestic and foreign outlets may well hold carryover stocks, which have been reduced appreciably since 1956, about even with this year's level of 8.9 million bales, despite an increase in production of some 3 million bales this year. Despite increases in output of flue-cured and burley tobacco, the crops are below anticipated disappearances this season and carryovers are likely to be further reduced by the beginning of the 1960-61 marketing year. The Commodity Credit Corporation investment in inventories and price support operations, which rose from 7.0 billion dollars on June 30, 1958 to 8.6 billions at the end of June 1959, will likely show a further increase by the end of the current fiscal year..

Weather conditions in 1959, while appreciably below those of 1958, were still fairly good overall. How they develop in the months ahead will largely determine the level of crop output next year, although, over the longer-run, yields are being enhanced by improving crop technology. Basically, unless weather should move to the unfavorable side, the prospects continue for heavy supplies of wheat and feed grains over the next several years. Marketings of cattle from the record numbers on farms will likely increase next year even though the cattle inventory continues to rise. Hog marketings will continue larger at least through the first half of next year although they may decline

slightly later in the year, if early intentions of Corn Belt farmers to reduce 1960 spring pig crops materialize. With low prices this year broiler production may show a relatively small increase next year, in contrast to the substantial increases in output of recent years; while egg output may be smaller, reflecting reductions presently occurring in laying flocks. Not much change is indicated for dairy production. Overall, these trends in livestock production indicate another year of large consumption of high protein feeds, particularly of soybean meal.

The farm price outlook for 1960 does not appear to involve such sharp changes as occurred this year for some products. Thus, prices received for hogs in the first 9 months of 1959 averaged 27 percent below the same period a year earlier while prices of broilers and eggs averaged 16 percent and 19 percent lower, respectively.

Prices of cattle which this year have averaged the highest since 1952, are expected to decline some but not sharply. This, of course, will depend on pasture and range conditions and whether cattlemen continue confident in their ability to market a steadily increasing volume without severe market disturbances. Prices of hogs may not change appreciably from current levels, allowing for some seasonal changes, but will average lower in the first half of 1960 than in the same period of 1959. On the other hand, egg prices may show some improvement over prices realized this year. The minimum price support level for 1960 crop wheat has been announced at \$1.77 per bushel compared with \$1.81 for the 1959 crop. Similarly, somewhat lower price supports would be allowed by legislation for other 1960 crops, including corn and cotton.

So far this year, prices paid by farmers, including interest, taxes and wage rates have averaged less than 2 percent higher than in the same period of 1958, a smaller increase than occurred in 1957 or 1958. Prices of some products, notably farm machinery, motor vehicles and building materials have increased approximately 2-4 percent while interest charges, and taxes payable per acre, and farm wage rates were up even more. On the other hand, lower prices of food and feed as well as of fertilizer were a substantial offset. Prices of feeder cattle purchased by farmers in recent months have declined below a year earlier.

We may expect these cross trends in prices paid to continue in 1960, with lower prices for food, feed and feeder livestock tempering advances elsewhere. Meanwhile, the parity ratio--ratio of prices received to prices paid, including interest, taxes and farm wage rates--so far this year has averaged 81 (1910-14=100) compared with 86 in the comparable period of 1958 and may move somewhat lower in 1960.

In the first 9 months of this year, cash receipts from farm marketings were reduced some 2 1/2 percent from a year earlier. Much of the decline in total receipts occurred in the third quarter of the year, when the smaller wheat crop this year and lower prices for hogs, eggs and broilers were particular factors. Receipts from cotton were up sharply reflecting the larger crop.

In addition to the drop of about three-fourths of a billion dollars in cash receipts, Soil Bank payments to farmers were reduced some 500 millions (net outcome of the elimination of the Acreage Reserve Program and expansion of the Conservation Reserve). Farm production expenses were increased about 3 percent or some 700 millions, which included a substantial rise in expenditures for feeder livestock. Some of the heavy movement of livestock resulted from poor range conditions in the West. Thus, realized net income of farm operators so far this year has run at the annual rate of \$11.2 billion, down some 15 percent from a year earlier.

Next year, cash receipts may show a smaller reduction than this year with cattle and hog receipts probably down some as a result of lower average prices. In addition, receipts from wheat probably will be lower, reflecting less spill-over of marketings from this year's smaller crop in the first half of 1960 compared with marketings from last year's record crop in the same period of 1959 as well as some reductions in the price support level for 1960 crop wheat. Cash receipts from other commodities may not show much change and those from milk and from eggs may well show some gain. Production expenses may increase slightly, mostly in overhead items such as taxes, depreciation and interest charges. Thus, some reduction in realized net farm income seems to be in prospect for 1960.

Exports of U. S. farm products during the fiscal year 1958-59 were valued at 3.7 billions, about 6 percent less than in 1957-58. The volume of exports was down about 4 percent. Except for cotton, which declined from 5.7 million bales in 1957-58 to 3.1 million bales in 1958-59, exports were larger, including record shipments of feed grains and soybeans as well as larger exports of wheat, rice, and fats and oils. Government export programs, particularly Public Law 480, continued important in maintaining high exports for some commodities.

During the current fiscal year, the value of agricultural exports will likely reach or exceed 4 billion dollars, while the volume during this period may well be the second highest on record. Cotton exports of at least 5 1/2 million bales are presently anticipated, as a result of lower stocks and an upswing in textile activity in foreign importing countries, smaller foreign exportable supplies and lower U. S. export prices. Demand also appears to be stronger this year than last for fats and oils and oilseeds, fruits and vegetables, rice and feeds. The continuing drought in Western Europe could be an important factor for some commodities.

Domestic demand for food has been strong during the past year. Prior to the steel dispute, industrial production had risen 17 percent over a year earlier, employment was up 2 1/2 million to a new high while unemployment was reduced 1 1/2 million, and consumer incomes, after taxes, had increased some 7 percent. Although the work stoppage has brought some reductions, the flow of income to consumers in the third quarter of 1959 was still some

5 percent larger than a year earlier. Sales at retail food stores so far this year have averaged 2 1/2 percent higher than in the same period of 1958 and no significant reduction in food purchases has been noted during the strike period. Retail food prices have averaged some 2 percent lower than in 1958. The increase in unit food costs of processing and distribution this year has been much less than in other recent years. Even so, the farmer's share of the consumer's food dollar has established a new post-war low of 38 percent.

Lower prices for foods have tended to offset price increases elsewhere in the economy. Thus, the consumer price index and the index of prices paid by farmers for family living items have shown only small increases over the past year. With consumer purchasing power augmented, strong consumer markets generally have prevailed. Sales of durable goods have increased and those of new automobiles (including imported cars) have risen to over 6 million cars this year compared with some 4 1/2 millions in 1958. This has involved a considerable expansion in consumer credit outstanding this year. Nevertheless, with consumer incomes higher, the ratio of repayments on installment debt to income has changed little.

At mid-year, private investment expenditures had also increased very substantially over a year earlier. Liquidation of business inventories in 1958 gave way to a rapid rate of inventory build up this year, which has, however, temporarily come to a halt as steel supplies have dwindled. Residential construction had moved substantially higher earlier this year, and while activity in this sector has slackened some in recent months as credit conditions have tightened, it continues well above a year earlier. Business outlays for new plant and equipment have moved up. Over the past year, U. S. imports have increased substantially more than exports.

Finally, government outlays also rose over the year. Federal purchases of goods and services have increased relatively little, primarily for the national defense while other expenditures, including outlays for farm price supports have shown some reduction. Expenditures by State and local governments, however, have risen somewhat more this past year than in most recent years.

Although the prolonged steel dispute has introduced some uncertainties into the outlook, confidence remains high that the upward trend in economic activity will be resumed following settlement, with further gains in consumer incomes and purchasing power in 1960.

According to the Mid-Year Budget review published in September, Federal budget expenditures in the current fiscal year are scheduled to be below the fiscal year which ended June 30, 1959. Federal receipts, on the other hand, have risen sharply reflecting increased tax receipts generated by economic recovery. A small budget surplus was projected for the current fiscal year, whereas in the 1958-59 fiscal year, a substantial budget deficit was incurred. In contrast, expenditures by State and local governments will likely continue to rise, although the large gain of the past year may not be equaled, partly as a result of some difficulties associated with prevailing high interest rates and some slackening in the highway program.

Business investment in new plant and equipment appears certain to increase over the next year. According to the most recent survey by the Securities and Exchange Commission and the Department of Commerce, business planned to spend 18 percent more for such capital outlays in the fourth quarter of 1959 than in the final quarter of 1958 and there is little prospect for an early reversal of trend. This survey indicates an upward revision of plans reported earlier and reflects the re-establishment of corporate profits to a high level as well as increasing sales. Thus far, most of the increase is scheduled for new equipment rather than for enlarging plant. The buildup in business inventories will resume when work stoppages are settled. Stock-sales ratios are generally well below the levels of recent years and a prolonged period of fairly substantial inventory accumulation lies ahead to bring them in line with rising sales. Residential construction, however, may ease further over the year ahead as a result of high interest rates and a tightening in the availability of mortgage financing. The net export position may turn somewhat more favorable. In recent months, U. S. exports have begun to run ahead of the same months in 1958. With sharply increased foreign holdings of dollar reserves and economic expansion abroad resumed, exports seem likely to increase somewhat more than imports over the year ahead.

Meanwhile, consumers' demands should strengthen further. On balance, the prospective flow of expenditures in the economy indicates further gains in employment and some further reduction in unemployment. Wage rates will continue to rise, but the extent, which will be influenced by current negotiations, is yet to emerge. Prices of some industrial products and services will likely increase but lower food prices will probably be partly offsetting. Some further advance in per capita purchasing power to a new high in 1960 seems quite likely.

Consumer expenditures, accordingly, should rise in 1960, much as the increase in consumer incomes. Expenditures for durable goods, particularly for automobiles, may well respond further to the new compact cars. Again, rising incomes and an increasing population will mean a larger volume of food sales.

Commodity Highlights

Livestock production and slaughter in 1960 will show a gain over 1959. Slaughter supplies of beef next year will continue to be dominated by fed cattle and a price rise for fed cattle next spring equal to that of last spring is not likely. The number of hogs to be slaughtered next year will probably be a little larger than this year though there are indications of a possible decline in next spring's pig crop.

Prices to farmers for milk and butterfat in 1960 will probably average higher than in 1959. The volume of dairy products sold by farmers and cash receipts will reach a new record in 1960, but with higher costs, net income from the dairy enterprise will increase little in 1960 and over 1959.

Reduced production of eggs and broilers is likely in early 1960, as a consequence of the very sharp price-cost squeeze during 1959. Prospective cut-backs in supplies of eggs and young chickens will tend to strengthen prices.

Supplies of edible fats, oils, and oilseeds in 1959-60 will be record large, nearly a tenth above the 1958-59 peak. Prices of most food fats will average less than last year, mainly because of larger production and lower support prices for oilseeds.

Feed grain prices are expected to average a little lower in 1959-60 than in 1958-59. The 1959 production is a record and carryover of feed grains into 1960-61 may be about a fifth larger than this year, up to around 80 million tons.

Wheat exports are expected to total about 410 billion bushels, about 7 percent less than exports in 1958-59. Rice prices to farmers in 1958-59 averaged 33 cents above the national average support of \$4.48 per cwt. In 1959-60, they are again expected to average above the support rate announced at \$4.38 per cwt.

From now until mid-1960 total supplies of fresh and processed fruits are expected to be moderately larger than in the same period of 1958-59. The 1959 crop of all deciduous fruits is a little larger than 1958. Production of citrus fruits, especially oranges, is larger this season.

Supplies of fresh vegetables this fall are about 12 percent smaller than a year earlier, but abundant supplies of processed vegetables into mid-1960 will be available to consumers. Production of combined late summer and fall potatoes was 8 percent less than last year, and the outlook for growers is considerably more favorable than last year. Early indications also point to less winter crop potatoes.

The supply of cotton in 1959-60 is estimated at 23.7 million bales, up 3.4 million from 1958-59. Due to a sharp increase in exports and higher domestic mill consumption, disappearance is estimated to be about the same as the 1959 crop. This would leave the carryover of 8.9 million bales on August 1, 1959 unchanged on August 1, 1960.

Domestic mill consumption of both apparel and carpet wool during the first eight months of 1959 is significantly above the corresponding period in 1958. The outlook for the domestic wool industry through the first half of 1960 is one of stronger demand than last year and stable prices at levels above a year earlier.

Production of flue-cured and burley tobacco is larger this year but still less than prospective disappearance. Carryover stocks are expected to decline further by the beginning of the 1960-61 season. Cigarette production in 1960 is expected to continue its uptrend from this year's estimate of 485 billion which is more than 3 percent above 1958 and above any other previous year. The quantity of domestic leaf tobacco utilized has gained little in recent years, chiefly because manufacturers are getting more cigarettes per pound of unstemmed tobacco.

Rosin prices have increased this year, and are likely to continue higher through the 1960 crop as domestic and export demand is rising in the face of relatively static production. Turpentine production has started to increase, and prices are expected to level out in 1960 after increasing in 1959.

Total lumber consumption in 1959 is expected to be at the highest level since 1955.

DOMESTIC DEMAND CONDITIONS

The economic recovery which started in mid-1958 was temporarily halted in July-September 1959 due to the direct and indirect effects of the steel strike on output, income and employment. After settlement of the strike the economic recovery is expected to resume. Gross national product, at an annual rate of \$481 billion in the third quarter, was about 1 percent lower than the second quarter but 8 percent above a year ago. Business, consumers, and the Federal, State and local Governments contributed to rising output during the past year.

Consumer Incomes and Spending

Consumer incomes after personal taxes held steady between the second and third quarters of 1959 at an annual rate of \$335 billion, about 5 percent higher than a year earlier. Wage and salary payments increased about 7 percent, accounting for most of the rise in income over the past year. Business and professional, interest and dividend income were higher, while farm proprietors' income and transfer payments were lower. Per capita disposable income, while down a little from the second quarter, at a rate of \$1890 was 3 percent above a year earlier. After adjustment for the higher consumer price level, the gain over a year earlier was 2 percent, compared with about 5 percent in the second quarter.

Consumer Spending Higher

Consumption expenditures in the third quarter of 1959 reached \$313.5 billion, up $6\frac{1}{2}$ percent from a year earlier. Although income was steady between the second and third quarters of 1959, consumers increased their annual rate of spending over \$2 billion, much less than the increase between the first and second quarters.

Purchases of durable goods in the third quarter of 1959 at an annual rate of \$43.8 billion were about the same as in the second quarter, but 18 percent above the third quarter of 1958. Retail sales of the automobile group in the third quarter were 22 percent above a year ago. Consumers also increased purchases of furniture, appliances and other household equipment in the past year. Retail sales of the furniture and appliance group in July-September were 8 percent above a year earlier.

Purchases of nondurable goods reached an annual rate of \$148.2 billion in the third quarter, up a little from the second and $3\frac{1}{2}$ percent above a year earlier. Increased sales were noted for all groups including food, apparel and

gasoline. Purchases of clothing and shoes by consumers increased at a rate of \$2 billion to \$27.8 billion between the second quarter of 1958 and the comparable period in 1959. Sales of apparel stores in the third quarter were 4 percent above a year ago. Purchases of gasoline and oil increased \$700 million between mid-1958 and mid-1959, and retail sales of gasoline service stations in the third quarter were 5 percent above the same period of 1958.

Table 1.--Consumer income, spending and saving, third quarter 1958 to third quarter 1959, seasonally adjusted annual rates

Item	1958		1959		
	III	IV	I	II	III 1/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Personal disposable income	320.4	322.9	327.4	335.3	335.2
Consumer expenditures for goods and services	294.4	299.1	303.9	311.2	313.5
Durable goods	37.1	39.8	41.3	44.1	43.8
Automobiles and parts	13.2	15.7	17.2	18.8	n.a.
Furniture and household equipment	17.6	17.8	17.7	18.8	n.a.
Nondurable goods	143.1	143.6	145.3	147.7	148.2
Food and beverages	76.6	77.0	77.8	79.0	n.a.
Clothing and shoes	26.7	26.6	26.7	27.8	n.a.
Other	39.8	40.0	40.8	40.9	n.a.
Services	114.2	115.7	117.4	119.4	121.5
Personal saving	26.0	23.7	23.5	24.1	21.7
Savings as a percent of disposable income	8.1	7.3	7.2	7.2	6.5

1/ Preliminary estimates of Council of Economic Advisers.

n.a.- Not available.

Department of Commerce.

Farmers Share Down

Retail sales of the food group in July-September were 2 percent above a year ago, indicating a continued strong demand for food. Food prices were about $1\frac{1}{2}$ percent lower. Farmers received 38 cents of the retail food dollar in the third quarter of 1959, 2 cents below the same period in 1958. Rising charges for most marketing services and a modest downtrend in most farm prices accounted for the declining farmers share. Marketing charges increased mostly because of higher wage rates and prices of other things marketing firms buy.

Expenditures for services continued to advance at about the same rate in the first three quarters of 1959; at \$121.5 billion, these expenditures in the third quarter were about 6 percent above a year earlier. The increase reflects

a rising volume of services provided for our growing population as well as an increase in cost rates of about 2 percent in the past year.

Urban Consumer Prices

Up A Little

Urban consumer prices were steady between mid-1958 and the spring of 1959, but the index since last May has advanced. In September it stood at 125.2 (1947-49=100), about 1 percent above a year ago, although food prices averaged more than 1 percent below September a year ago. Increases in other nondurables such as apparel and new and used cars among the durable goods, and such services as rents, household operation, transportation, and medical care have more than offset the effect of lower food prices compared with September 1958.

Private Investment

A sharp turnabout in inventory policies from liquidation to buildup, higher construction outlays, particularly those for new homes, and a pickup in capital spending by business, resulted in a 50 percent increase in gross private domestic investment between mid-1958 and mid-1959. In the third quarter, the rapid accumulation of business inventories slackened as steel supplies were worked down.

Capital Spending Higher

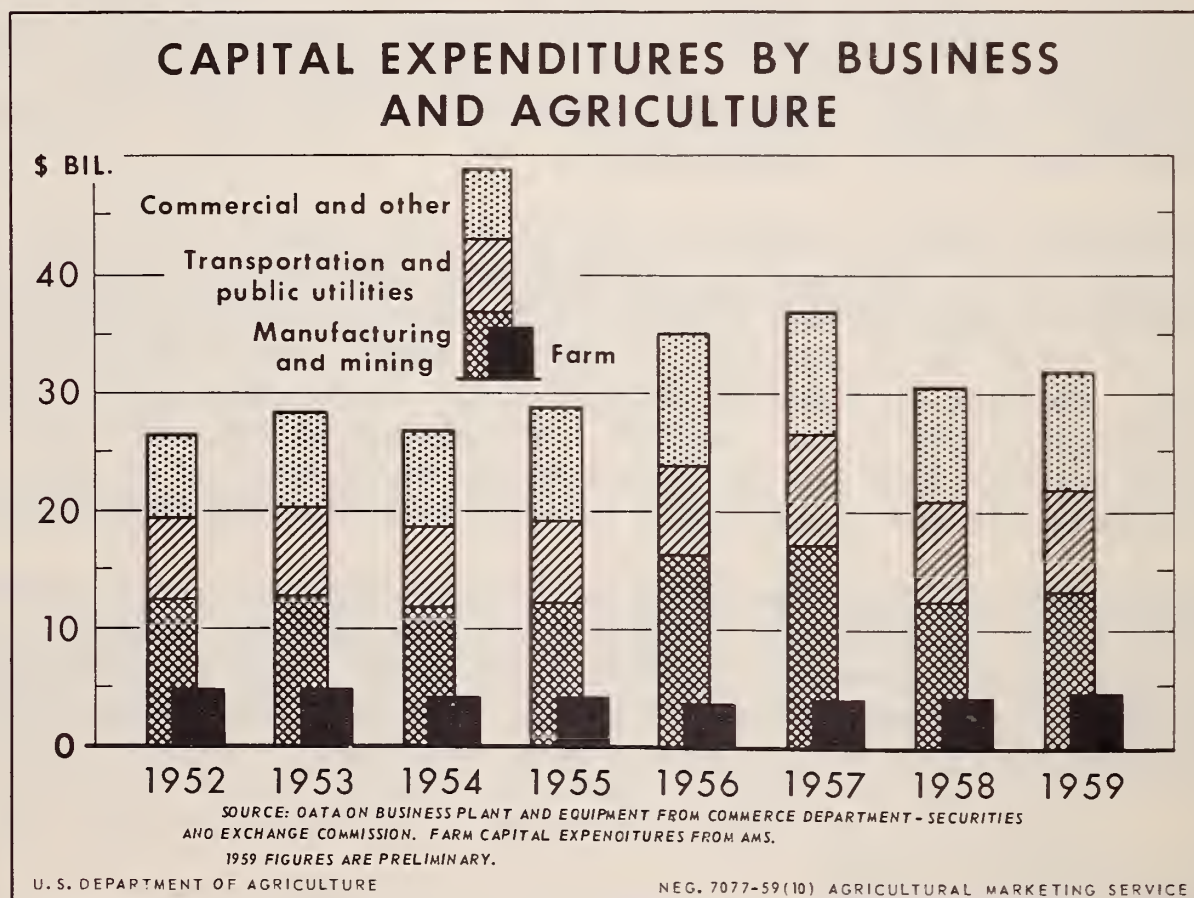
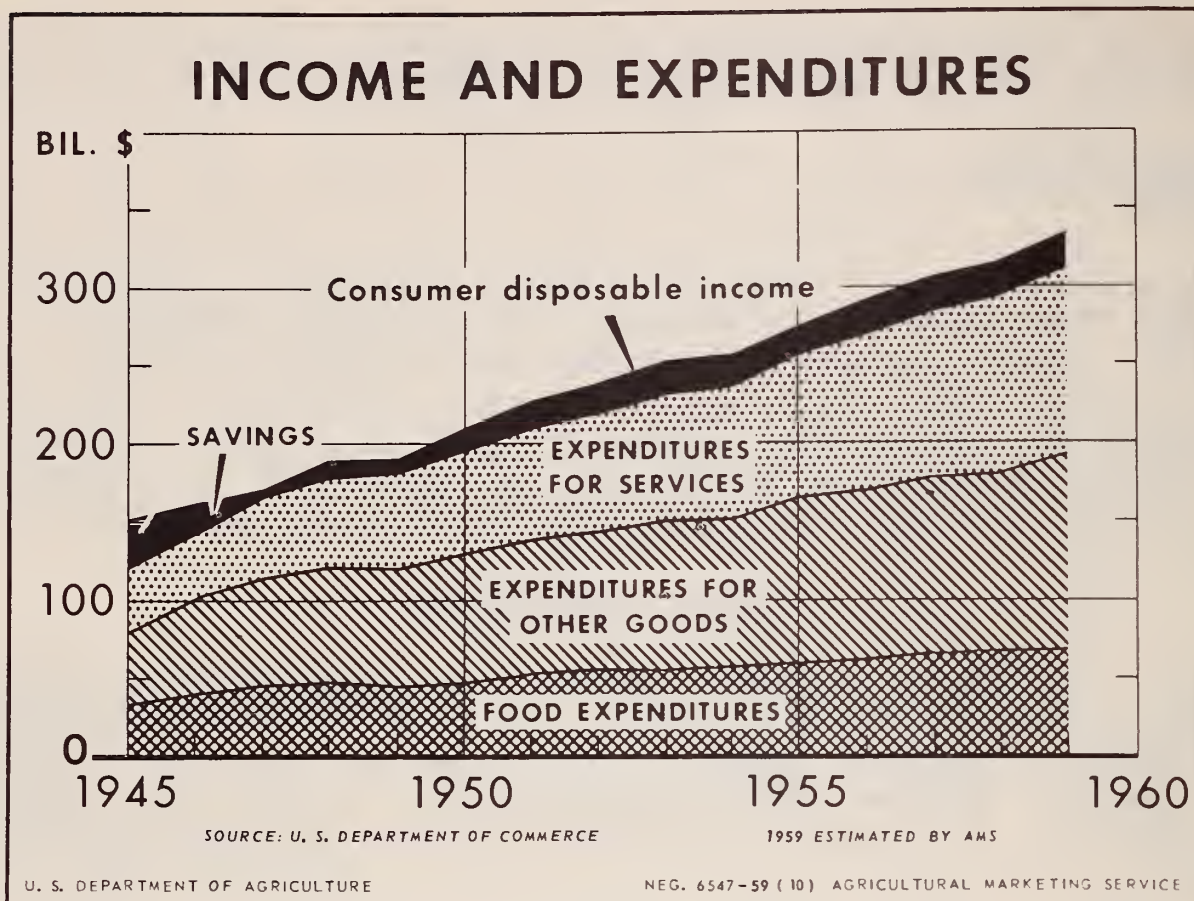
New plant and equipment expenditures for 1959 will total \$33-1/4 billion this year, up 9 percent from 1958 but still somewhat less than the record level in 1957, according to the latest survey of businessmen's intentions to invest in new plant and equipment conducted jointly by the Department of Commerce and the Securities and Exchange Commission.

Manufacturers' outlays in 1959 may total \$12.4 billion, up 9 percent from 1958, with most of the increase in new equipment rather than enlarged plant. Planned capital spending in the fourth quarter will reach a seasonally adjusted annual rate of about \$13.7 billion, 30 percent higher than the fourth quarter of last year. Capital spending by durable goods industries in the final quarter will be 37 percent above a year earlier. Investment in the nondurables group has increased rapidly from the low point in the third quarter of 1958, and in the fourth quarter it was up nearly 24 percent from the fourth quarter of 1958.

Transportation outlays, including railroads, airlines (particularly for jet aircraft) are increasing substantially. Commercial investment is scheduled to continue the upward movement started in mid-1958. Capital expenditures by public utilities have remained fairly stable this year, reflecting offsetting movements in the electric utilities and gas companies.

Construction Activity Steady

New construction activity was at an annual rate of \$41 billion in the third quarter of 1959, the same as the second quarter but 16 percent above a



year earlier. Between the second and third quarters, residential construction outlays declined a little while industrial, commercial, and other construction increased.

Residential nonfarm construction in the third quarter was at an annual rate of \$22.6 billion, about a fourth above a year ago but about 2 percent below the peak reached in the second quarter of 1959. Nonfarm housing starts, which led outlays, in September were 8 percent below the 1.4 million annual rate reached in April which was the highest since August 1950. The shortage of loanable funds and higher interest rates were major factors in the decline in housing starts this summer and fall. Expenditures for other construction in July-September increased to an annual rate of \$18.3 billion, up 5 percent above the rate of a year earlier. Largely responsible for this increase is a rise in capital spending by business.

Inventory Investment Down

Businessmen began to accumulate inventories at a rapid rate in the first half of 1959. In the second quarter, inventory investment was at an annual rate of \$10.4 billion compared with liquidation of \$3.4 billion a year earlier. During the third quarter, because of the steel strike, the rate of inventory accumulation dropped to an annual rate of about \$1 billion.

The book value of manufacturers' inventories at the end of September was \$51.8 billion, seasonally adjusted, compared with the July peak of \$52.2 billion and \$49.3 billion in September 1958. In the past year durable goods industries increased their inventories the most, reflecting sharp increases in sales. On the other hand, nondurable goods industries only increased inventories moderately. The small increase here amounted to less than \$1 billion from September 1958 to the same month in 1959. Manufacturers' sales in the third quarter

Table 2.--Investment expenditures, third quarter 1958 to third quarter 1959, seasonally adjusted annual rates

(Billion dollars)						
Item	1958			1959		
	III	IV	I	II	III	1/
Gross private domestic investment	54.2	61.3	69.8	77.5	69.0	
New construction	35.4	37.3	39.7	41.0	41.0	
Residential nonfarm	18.0	19.9	21.9	23.1	22.6	
Other	17.4	17.4	17.8	17.9	18.3	
Producers' durable equipment	22.2	23.2	23.9	26.0	27.0	
Change in business inventories	-3.4	.8	6.1	10.4	1.0	
Net exports of goods and services	1.6	.2	-.9	-1.8	-.5	

1/ Preliminary estimates of the Council of Economic Advisers.

Department of Commerce except as noted.

declined 3 percent from the second quarter, and the stock-sales ratio increased some to 1.74 but it was the lowest for the third quarter since 1955.

Stocks at retail increased a little in the third quarter and were about 4 percent above a year earlier, mostly reflecting higher inventories of 1959 model automobiles. Retail sales in July-September were about the same as April-June and inventories were up only a little, resulting in a small rise in the stock-sales ratio to 1.38 compared with 1.43 a year earlier.

Government Demand

Government purchases of goods and services which account for about a fifth of gross national output, in the third quarter of 1959 were at an annual rate of \$99.0 billion, up \$5.2 billion from a year earlier. Federal Government purchases which climbed during 1958 leveled out in 1959, while State and local purchases rose about \$4 billion in the past year.

Purchases of goods and services by the Federal Government, according to estimates of the Department of Commerce based upon the recently released Midyear Budget Review, in the fiscal year ending June 30, 1960, will be about \$750 million below 1958-59. The largest scheduled reduction is for purchases of military equipment for shipment under the Military Assistance Program, but smaller declines are expected for military construction and major procurement and research. Expenditures on the atomic energy program are expected to increase. Not much change is expected in civil programs that are purchases of goods and services. Outlays by the Commodity Credit Corporation for the net acquisition of price support crops is expected to be down some reflecting reductions in net acquisitions of cotton and wheat, offset in part by increased holdings of corn.

While less detailed information is available on State and local Government spending, the uptrend which has persisted through the postwar period is continuing in 1959. Compensation of State and local Government employees in the second quarter of 1959 was up about 10 percent, reflecting both higher average annual salaries and increased employment.

Table 3.--Government purchases of goods and services, third quarter 1958 to third quarter 1959, seasonally adjusted annual rates

Item	1958		1959		
	III	IV	I	II	III 1/
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Government purchases of					
goods and services 2/	93.8	96.5	97.4	97.7	99.0
Federal 2/	53.1	54.2	53.8	53.9	54.0
National defense	44.5	45.3	45.8	46.2	46.2
Other	8.9	9.4	8.3	8.0	8.0
State and local	40.8	42.2	43.6	43.8	45.0

1/ Preliminary estimates of the Council of Economic Advisers.

2/ Less Government sales.

Production and Employment

During the early stages of the three postwar recoveries, real output per manhour has increased much faster than the long run average. Real output per manhour in private nonagricultural industries increased around 6 percent between calendar year 1949 and 1950 and 5 percent between 1954 and 1955. A comparison of changes in employment and in hours worked between mid-1958 and mid-1959 indicates that real output per manhour increased in comparable amounts to those reported for earlier postwar recoveries. Rapid increases in real output per manhour in the early stages of the recovery reflect more efficient utilization of manpower and facilities.

Employment Affected by Strike

Civilian employment in July-September at 67.1 million averaged 2 million above a year ago. Comparisons with a year ago are affected by the layoffs associated with the steel strike. Among the industry groups the largest gains over the past year have been made among firms manufacturing durable goods. Among the large over-the-year gains were those made in machinery, fabricated metal products, transportation equipment, and primary metals before the steel strike. Employment in nondurable goods industries continued to rise in the third quarter and was 202,000 above a year ago. The largest rise in employment was associated with the recovery in textile and apparel production but employment also increased in all the other groups. Among the nonmanufacturing establishments, trade, finance, services, and Government continued to increase. Little change was recorded in transportation and public utilities and in mining. Contract construction employment was up substantially reflecting the rise in building activity.

Unemployment declined in the last half of 1958 and the first half of 1959. The seasonally adjusted rate of unemployment reached a peak of almost 8 percent in August 1958 and declined almost steadily until May and June 1959 when it reached 4.9 percent of the civilian labor force. The unemployment rate jumped in the third quarter and averaged 5.4 percent.

Average Hours

Well Above Last Year

As in other postwar recoveries average hours worked lengthened along with higher employment. Weekly hours of factory workers averaged 40.4 in the third quarter of 1959 compared with 39.6 a year earlier, with increases in both durable and nondurable industries. Smaller increases in average weekly hours were recorded for trade, finance, and service industries with fairly substantial increases in construction.

Table 4.--Employment and labor force, third quarter 1958 to third quarter 1959, seasonally adjusted

(Millions of persons 1/)										
Item	:	1958		:	1959					
	:	III	:	IV	:	I	:	II	:	III
	:		:		:		:		:	
Civilian labor force	:	68.6		68.5		69.3		69.4		69.3
Employment	:	63.7		64.4		64.9		65.9		65.6
Nonagricultural	:	58.0		58.6		58.9		59.8		60.1
Agricultural	:	5.8		5.8		5.9		6.1		5.6
Unemployment	:	5.0		4.3		4.1		3.5		3.7
	:									

1/ 14 years of age and over.
Bureau of Census.

Industrial Production Off in July-September

Industrial production in June reached 155 (1947-49=100), up 17 percent over a year earlier. Production of durable goods were up a fifth reflecting mostly a rise in demand for consumer durable goods, and higher investment in plant, equipment and inventories by business. The output of consumer durable goods in mid-1959 was up about 50 percent from the 1957-58 recession low; it was still slightly below the third quarter of 1955 when passenger car production was unusually heavy. Nondurable goods production and minerals output in mid-1959 were up about 12 percent from a year ago. During the third quarter of 1959 industrial production averaged 2 percent below the second quarter. The decline was concentrated in durable goods and minerals output. Nondurables production advanced a little in July-September. The steel strike and reduction in automobile output for model changeovers were the principal factors responsible for the lower level of output in July-September than April-June.

Table 5.--Index of industrial production, third quarter 1958 to third quarter 1959, seasonally adjusted

(1947-49=100)										
Item	:	1958			:	1959				
	:	III	:	IV	:	I	:	II	:	III
	:		:		:		:		:	
	:		:		:		:		:	
Industrial production	:	136		140		145		153		150
Total manufactures	:	138		142		148		156		154
Durable manufactures	:	143		150		157		168		161
Consumer durable goods total	:	111		125		133		141		143
Nondurable manufactures	:	133		135		139		143		146
Minerals	:	120		123		124		125		117

Board of Governors, Federal Reserve System.

Industrial Prices

Wholesale industrial prices, which increased in late 1958, have changed little since early 1959. The index in September at 128.4 (1947-49=100) was 1.7 percent above a year ago. In 1959 the largest price increases have occurred in hides and leather products, textiles, machinery, and lumber products. Rising demand for shoes and reduced supplies of hides were major factors in the 19 percent increase in wholesale prices of hides and leather products between September 1958 and September 1959. Production of textiles and apparel products have risen 14 percent, and prices in September were 3 percent above a year ago. Prices of lumber products, reflecting higher construction activity, were 6 percent higher in September than a year earlier, but as construction activity eased in recent months, prices tended to decline. Prices of machinery and metals have continued to rise. The wholesale cost of agricultural machinery in September was 3 percent above a year ago.

Money and Credit Conditions

Consumers and financial institutions have been net suppliers of funds to the corporate business and Government sectors throughout the postwar period according to the recently released quarterly statement of flow of funds prepared by the Federal Reserve Board.

The Federal Government ran a very heavy cash deficit of \$12.6 billion during the last half of 1958, but by early 1959 tax receipts had begun to increase seasonally and the deficit in the first half of 1959 totaled \$.4 billion. The Treasury will need to raise money to refinance the currently maturing debt, but, based upon September estimates, the net cash flow of receipts will exceed expenditures a little for fiscal year 1959-60.

At the end of September consumer credit outstanding reached \$48.4 billion, up \$5 billion from a year earlier. Automobile and other consumer goods paper accounted for about two-thirds of the rise in consumer credit. Total mortgage debt outstanding in the first half of 1959 climbed a record \$9½ billion. Seventenths of the total increase was accounted for by mortgages on 1 to 4 family houses. The average value of mortgages of \$20,000 and less in the first half of 1959 was up about a tenth and the number of mortgages about a sixth from the first half of 1958.

Business demand for outside funds in the first half of 1959 was slightly larger than a year earlier. Corporate borrowings by issuance of stocks and bonds and notes declined between the first half of 1958 and 1959. Rising corporate profits which reached an annual rate of \$52.6 billion before taxes in the second quarter, is probably the most important factor responsible for the decline. To finance the rising volume of business, short term loans have increased, particularly for inventories. Commercial and industrial loans of weekly reporting banks increased \$997 million in the third quarter of 1959 compared with a decline of \$163 million in the same period of 1958.

In early 1958 the Federal Reserve Board followed a policy of credit ease principally by reducing reserve requirements and lowering the discount rate. As the recovery gained speed, credit policy was changed, and the volume of funds supplied by the commercial banks declined in the first half of 1959. The Federal Reserve discount rate was increased from 1-3/4 percent in May 1958 to 4 percent in September 1959 and borrowings of member banks at Federal Reserve banks averaged \$425 million in October 1958 compared with \$905 million a year later.

With a rising demand for funds and a restrictive credit policy, interest rates have climbed sharply in the past year. Interest rates for commercial paper (prime 4 to 6 months) rose from 2.93 percent in September 1958 to 4.63 a year later, and the yield on 3 month Treasury bills rose from 2.48 percent to 4.04 percent in the same period. In September 1959, the Moody's index of yields on corporate Aaa bonds was 4.52 percent compared with 4.09 a year earlier.

FOREIGN DEMAND

During the year ending June 30, 1959 there was an unprecedented \$6 billion increase in the reported gold and dollar reserves of foreign countries and international institutions. About \$4 billion of the increase was added to the reserves of foreign countries, mainly those exporting manufactured goods. Raw material exporting countries, faced with recession-reduced industrial demand and falling prices, more than offset their reduced export earnings by curtailing imports and other foreign expenditures. Of the total increase in foreign gold and short term dollar assets, \$5.1 billion resulted from transactions with the U. S. of which \$3.5 billion was paid directly to foreign countries; the remainder of \$1.6 billion was paid to international institutions.

Table 6.--Free World Gold and Dollar Assets 1/ as of June 30

	:	1952	1957	1958	1959 <u>2/</u>
	:	<u>Bil.dol.</u>	<u>Bil.dol.</u>	<u>Bil.dol.</u>	<u>Bil.dol.</u>
Canada	:	2.5	3.2	3.4	3.5
Continental Western Europe <u>3/</u>	:	7.9	14.4	15.8	18.9
United Kingdom <u>3/</u>	:	2.5	3.3	4.1	4.2
Other Sterling Area	:	.8	1.1	1.0	1.1
Japan	:	.9	.8	.9	1.4
Latin American Republics	:	3.4	4.7	4.4	4.3
All other countries	:	<u>1.9</u>	<u>2.1</u>	<u>1.9</u>	<u>2.0</u>
Total above	:	<u>19.8</u>	<u>29.4</u>	<u>31.6</u>	<u>35.4</u>
International agencies	:	<u>3.4</u>	<u>3.1</u>	<u>3.1</u>	<u>5.2</u>
Grand total	:	23.2	32.5	34.7	40.6

1/ Estimated official gold reserves and dollar holdings. Data excludes long-term dollar securities, as well as gold and dollar assets of the USSR and communist bloc. 2/ Preliminary. 3/ Includes dependencies.

Federal Reserve Board.

The unusual feature of world transactions during the past fiscal year was the sharp decline in the U. S. trade surplus. United States merchandise exports (excluding military grant items) at \$15.8 billion were \$1.5 billion below 1957-58; they were \$3.4 billion below 1956-57, a year of extraordinary foreign demand associated with the European boom, the Suez crisis and other special conditions. Agricultural exports, at \$3.7 billion were \$300 million below the previous year and about \$1 billion below the record level of 1956-57.

The decline in exports from the exceptionally high levels of the previous 2 years, was accompanied by the continued expansion of U. S. imports. Merchandise imports in 1958-59 at a record \$14.2 billion were \$2.2 billion above the previous year. Nearly 95 percent of the rise was in nonagricultural commodities.

The decline in exports and rise in imports in 1958 reduced the U. S. trade surplus to a 7-year low of \$1.7 billion, \$2.7 billion below the previous year. The sharpest decline in the U. S. trade balance occurred in the first half of 1959.

The sharp decline in the U. S. trade balance during 1958-59 reflected several temporary factors. The inventory recession in industrial countries and anti-inflationary and other measures designed to redress exchange losses reduced foreign demand for U. S. raw materials and manufactures. This affected mainly cotton and machinery. In addition, the impending steel strike increased imports and reduced exports of foreign iron and steel mill products. Deliveries of jet transports beginning this fall will reverse the decline in civilian aircraft exports. Availability of the new compact U. S. cars is expected to moderate or halt the increase in imports of foreign automobiles and raise exports in the automotive group. On the other hand, the decline in U. S. coal exports will probably not be reversed, while U. S. imports of coffee, non-ferrous metals and certain other commodities may increase from 1958-59. With the renewed economic upswing in major foreign industrial countries, and a resurgent demand for their own output as well as for imports, many of the factors which reduced the U. S. trade balance in 1958-59 are being reversed. During July-September 1959, the import rise seems to have slackened while exports are increasing at an accelerated rate. The combined effect of these expected changes in nonagricultural trade, together with continued large exports of U. S. agricultural commodities, could bring about a \$1 to \$2 billion improvement in the U. S. trade balance during 1959-60.

Throughout the postwar period the United States maintained a large trade surplus with the rest of the world. United States economic aid was designed to meet the import needs of foreign countries for relief, reconstruction and development, while U. S. military grants and other expenditures reduced their rearmament and defense burden. The long range objective was to strengthen the free world and to make possible a high

level of unrestricted world trade. Aggregate net foreign receipts from U. S. foreign economic aid programs and military expenditures abroad during the post-Korean period, 1953-59, totaled \$35 billion. They more than offset the private account surplus of \$20 billion. As a result of these and other transactions, the net receipts of foreign countries from the United States averaged \$2 billion per year, and were largely responsible for a \$15 billion increase in their gold and liquid dollar reserves.

Capital outflow has diminished in recent months and will total substantially less during 1959-60 than a year earlier, when the total reflected the U. S. subscription to the International Monetary Fund. Military expenditures abroad, and other U. S. government transfers will remain high however. Thus despite the anticipated changes on capital and current account, net foreign receipts from the U. S. during 1959-60 may remain well above the post-Korean average.

As far as the industrial countries are concerned, the long-range objective of U. S. economic foreign policy has been achieved. Industrial production, trade, and foreign exchange reserves are rising to new record levels and most major foreign currencies are freely convertible for trade purposes. Domestic monetary and fiscal policies abroad and use of the resources of international agencies have offset the temporary effects of the Suez crisis, inflationary pressure, or more recently the industrial recession. Under these circumstances there is a growing recognition on the part of countries in strong balance of payments position of the need to further remove restrictions on dollar goods and to provide more financial aid to the underdeveloped countries. This was evidenced by agreement to increase by 50 percent the resources of the World Bank and International Monetary Fund, by the creation of new international lending agencies, and by a step-up in the dismantling of trade and foreign exchange restrictions. But a "hard core" of foreign import restrictions remains; these affect many agricultural commodities and are designed to support farm income in industrialized countries and to maintain a market for the output of associated territories.

Agricultural exports in fiscal year 1959-60 are expected to total about \$4 billion, a net increase of 280 million or $7\frac{1}{2}$ percent over the year just ended. With lower export prices for most major commodities, the volume of exports should rise about 15 percent -- the second highest on record. This estimate takes into account the strong economic and financial position of the industrial countries which are our major dollar markets, the expanding agricultural trade liberalization as well as continued Cuban dependence on rice and other U. S. farm products. The estimate also reflects the availability of special financing under the Mutual Security Act and Public Law 480 for exports to such countries in

Spain, Yugoslavia, India, and Korea which provide a major outlet for U. S. farm products largely as a result of the special export programs (table 8). The outlook for individual commodities for the 1959-60 fiscal year is as follows:

Cotton

Larger foreign consumption with the upswing of the textile cycle, smaller foreign production and stocks, and lower U. S. export prices will substantially raise exports. Exports in 1959-60 will total at least $5\frac{1}{2}$ million bales, compared with 3.1 last year. The 80 percent increase in quantity will be partly offset by a 12 percent reduction in export prices.

Tobacco

Large foreign production, particularly in Rhodesia-Nyasaland will tend to keep 1959-60 exports near the 473 million pound level of 1958-59. No substantial change is expected in aggregate value.

Wheat and Flour

Larger exportable supplies abroad will reduce export volume to about 410 million bushels in 1959-60 from 443 million bushels in 1958-59. All of the decline will probably be in shipments to traditional dollar markets. Exports under the special programs should equal or exceed last year. The decline in total export value will be accentuated by about a 5 percent drop in export prices.

Rice

With the help of the payment-in-kind program, substantially larger exports are expected. A total of 20 million cwt. of milled rice in 1959-60 would be 40 percent above the previous year; however, export prices will be some 10 percent lower.

Feed Grains

Export prospects are favorable due to a high foreign demand based on an expanding livestock industry, the fall drought in Europe and U. S. surplus disposal efforts. Exports should equal or exceed the 1958-59 record of 12 million tons. Aggregate value will reflect lower U. S. prices.

Fats and Oils

Another record year for soybeans and larger exports of cottonseed oil, lard and tallow are indicated by firm foreign demand and larger U. S. supplies. Generally lower prices, especially for tallow, will keep total value about unchanged. Aggregate exports, on an oil equivalent basis, may be 15 to 20 percent above last year's total of 4.1 million tons.

Table 7.--International transactions of the United States ^{1/} fiscal years
1953-59, semi-annual January 1958-June 1959

Item	: Years ending June 30 :			:	:	:
	:	:	:	Jan.-	July-	Jan.-
	1953-57:	1958	1959	June	Dec.	June
	average:			1958	1958	1959
	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.
	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>
I. Transactions with foreign countries	:	:	:	:	:	:
A. Private sector	:	:	:	:	:	:
Balance on merchandise	: 3.0	4.4	1.7	1.9	1.3	.3
Investment income	: 1.7	2.1	2.0	.9	1.1	.9
Total receipts on current account <u>2/</u>	: 4.8	6.6	3.7	2.9	2.4	1.3
U.S. private capital outflow	: 1.7	2.3	2.0	1.3	1.0	1.0
Net U. S. receipts <u>3/</u>	: 2.9	3.7	1.9	1.4	1.2	.7
B. Government sector	:	:	:	:	:	:
Net grant and loans	: 2.0	2.4	2.4	1.3	1.3	1.2
Military expenditures abroad	: 2.7	3.2	3.3	1.7	1.7	1.6
Net U. S. payments	: 4.7	5.4	5.6	2.9	2.8	2.7
C. Change in gold and dollar assets of foreign countries	: 1.8	1.7	3.7	1.5	1.6	2.0
II. Change in gold and dollar assets of international agencies	: -.2	-.1	1.7	.2	.1	1.6
III. Net outflow of gold and dollars from the U. S.	: 1.6	1.6	5.4	1.7	1.8	3.6

^{1/} Excludes military aid grants and exports financed thereby. Detail will not always add to total due to rounding.

^{2/} Includes balance on miscellaneous services.

^{3/} Includes U. S. private remittances, errors, omissions and unrecorded transactions.

^{4/} Includes pensions and other transfers and balance on other services.

^{5/} Total in 1959 includes U. S. subscription to international monetary fund.

Negative figure reflects transfers from international agencies to foreign countries.

Based on data published in the Survey of Current Business.

Table 8.--U. S. Agricultural exports, by major country of destination,
fiscal years 1950-59 and exports under specified export programs
calendar year 1958

Item	Years ending June 30				Calendar year 1958	
	1950-54	1955-59	1957-58	1958-59	Total	Government
	average 1/	average	total	total		financed 2/
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Canada	270	333	345	354	344	---
Cuba	146	223	150	144	145	1
Venezuela	70	127	82	87	84	3/
Mexico	81	126	120	73	106	29
Total Latin America	480	504	567	504	543	103
United Kingdom	340	422	439	400	409	20
Germany	298	312	326	274	285	28
Netherlands	167	243	210	243	205	3
Spain	47	117	110	127	144	147
Yugoslavia	60	108	75	110	95	91
Italy	150	141	155	106	143	69
Belgium	111	125	120	104	103	3
France	128	92	65	65	87	58
Total Western Europe	1,574	1,869	1,816	1,664	1,758	549
Poland	1	32	95	59	79	76
Total Eastern Europe	4	37	101	62	82	76
Japan	396	380	409	318	361	140
India	161	144	179	251	176	176
Korea	42	83	106	81	111	97
Philippines	55	61	66	69	76	27
Formosa	29	52	45	52	52	55
Israel	33	47	55	49	54	46
Pakistan	20	55	76	46	65	67
Total Asia	817	941	1,051	993	1,013	674
Oceania	30	43	48	42	43	6
Africa	70	91	74	101	70	21
Total all countries	3,245	3,817	4,002	3,719	3,854	1,435

1/ Calendar years.

2/ Mutual Security Act, Public Law 480 (including donations and barter). Export, Import Bank loan disbursements and CCC credit sales. Because of differences in reporting, totals are not directly comparable with trade data.

3/ Less than \$500,000.

Foreign Agricultural Service.

Meats, Hides, and Skins

With larger domestic supplies and higher incomes abroad, a small increase in meat exports is expected, lower prices will keep total export value unchanged. Exports of variety meats will continue substantial. The quantity and value of hides and skins exports are not expected to change substantially from last year.

Fruits and Vegetables

The end of the recession abroad, larger U. S. supplies of citrus and dried fruits and a reduced foreign apple crop, will combine to increase exports of these items sufficiently to raise total value despite a smaller decline in prices. Exports of canned fruits and vegetables may likewise increase to somewhat above 1957-58 levels. On the other hand, despite a smaller European dried bean crop and large domestic supplies and lower prices for beans and peas, exports of these commodities will decline from the unusually high levels of last year. An overall fiscal year increase in the value of fruit and vegetable exports of 15 to 20 percent appears reasonable.

Dairy Products

Smaller CCC stocks available for donation and a shift in foreign consumption from evaporated to filled milk will reduce export volume in excess of the anticipated 10 percent decline in value.

AGRICULTURAL SUPPLIES, PRICES AND INCOMES

Changes in the demand for farm products are closely related to changes in consumer incomes. Consumer income after taxes so far this year is averaging about $4\frac{1}{2}$ percent higher than last year. Consumer spending for food and clothing has continued to advance in response to rising incomes.

Supplies of Farm Products

But farm prices and incomes in 1959 have been influenced by heavy supplies more than by the strong demand situation and the picture is pretty much the same for next year. With the 1959 growing season just about ended it appears that farm output has set another record, a little above last year's peak. Crop production is about the same as in 1958 and total livestock and livestock product output will probably surpass last year, reaching an all-time high.

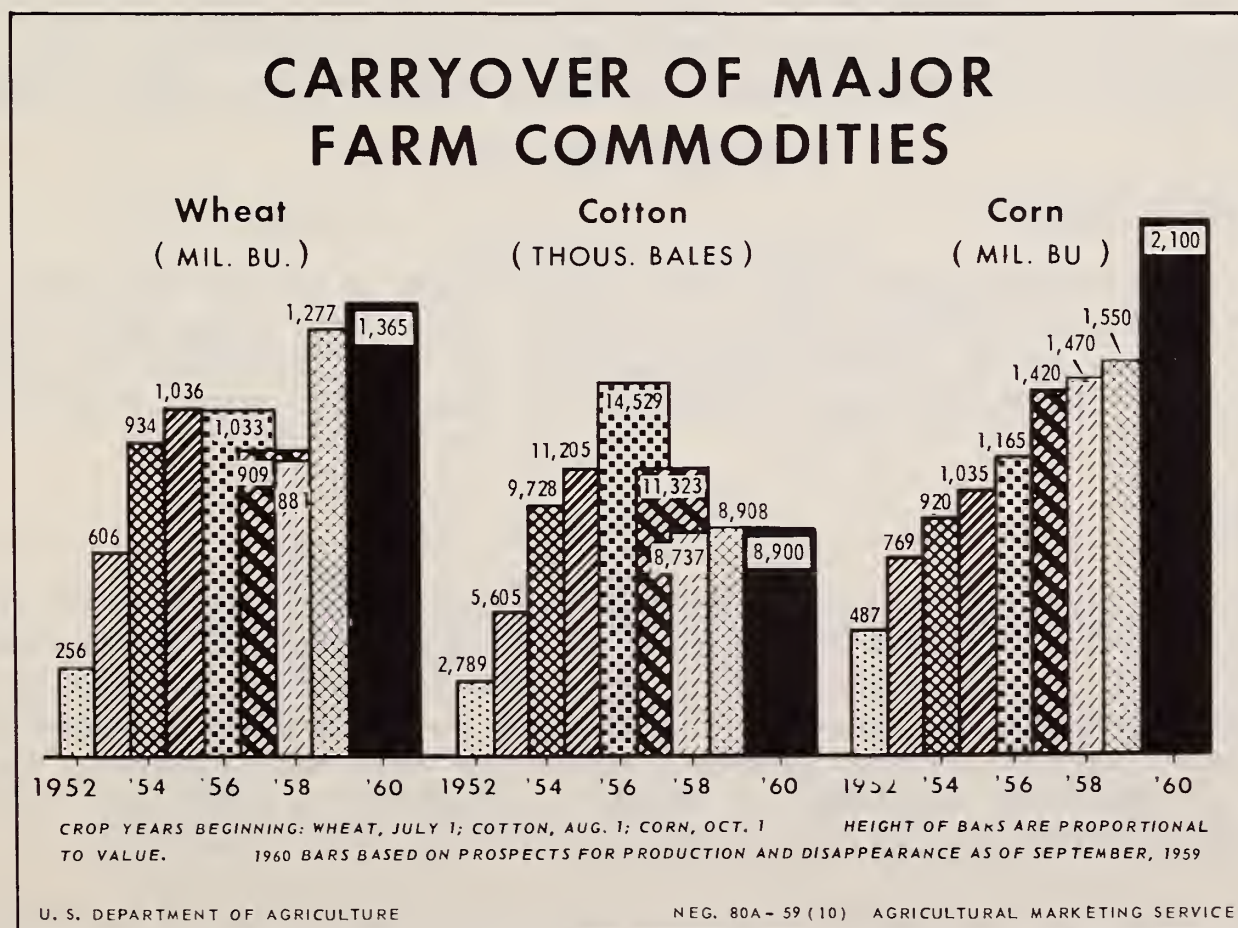
Crops

According to the October 1 Crop Report the volume of crops this year will show little or no change from last year when crop output increased 11 percent, as shown in the accompanying chart. Average yields are down a bit but acreage is up with the return to production of land that was in the Acreage Reserve of

the Soil Bank in 1958. The cotton and corn crops are up sharply from last year, but much smaller crops of wheat and oats, and moderately smaller crops of several other major commodities are being harvested.

Carryover Stocks

This year's abundant harvests mean further additions to supplies of a few major crops which have been excessive for several years. The heavy existing stocks of wheat and feed grains promise to be even larger at the beginning of the 1960 marketing year. Wheat stocks at the beginning of the current marketing year which began July 1 totaled 1,277 million bushels. Despite the substantial reduction in this year's crop from last year's record, the wheat carryover on July 1, 1960 is expected to be higher. Stocks of feed grains have been increasing steadily since 1952. The corn carryover reached a record 1.5 billion bushels at the beginning of this marketing year. Despite an expected increase in grain consuming livestock in 1960, corn stocks will likely reach a new record of over 2.0 billion bushels. Although sorghum grain production is down 7 percent this year, stocks are at a record 500 million bushels and some further increase is likely at the beginning of the 1960-61 year. Oats and barley stocks were also up to record levels at the beginning of the 1959-60 marketing year but a moderately smaller carryover of barley, and a much smaller carryover of oats, are expected in 1960-61. Stocks of cotton have been reduced sharply in the past 4 years. Output was up substantially this year but this will be matched by increased disappearance and cotton stocks will probably show little change by August 1, 1960.



Price Support Activity

Continuing surpluses of some commodities have meant increases in commodity holdings of the Commodity Credit Corporation. CCC investment in commodities pledged for loans and in price support inventories totaled \$8.8 billion on August 31, 1959 compared with an investment of \$7.1 billion at the same date in 1958. The increase represents larger CCC holdings of cotton, wheat, soybeans and grain sorghums from the large 1958 crops of these commodities.

Livestock Output

Production of livestock and livestock products this year will probably exceed 1958, advancing to a new all-time high. Abundant corn supplies and favorable hog-corn price relationships have stimulated a sharp increase in pork production. There has also been a large buildup in cattle numbers, from the already record number on farms at the beginning of this year. Cattle slaughter has fallen a little short of last year. Output of broilers, turkeys, and eggs are all above 1958. Production of dairy products is a little below last year.

Farm Product Prices

Movements in farm product prices this year have reflected the heavy supply situation in both crops and livestock. Prices received for all crops in the first 10 months of 1959 averaged a little more than 1 percent below the same period last year. Lower prices for wheat, fruit, and the oilseeds were partially offset by increases for cotton and tobacco. Prices of livestock and products so far this year have averaged more than 5 percent below the first 10 months of 1958 with prices of hogs, broilers and eggs running substantially lower. With reduced slaughter and strong demand this year, cattle prices have averaged above last year.

Prices Paid by Farmers

Prices paid by farmers this year have averaged a little less than 2 percent above last year. Higher prices of feeder livestock, motor vehicles, farm machinery, and building and fencing materials, as well increased real estate taxes, interest charges and wage rates have accounted for most of the rise in cost rates.

Farm Income

Farmers' realized net income during the first three quarters of this year was at a seasonally adjusted annual rate of \$11.2 billion, 15 percent below the \$13.1 billion of a year earlier. This reduction reflected a decline of $2\frac{1}{2}$ percent in cash receipts, an increase of 3 percent in production expenses and elimination of Acreage Reserve payments under the Soil Bank program. For the remainder of this year realized net income is expected to show about the same relative decline from a year ago as during the first three quarters.

Cash receipts from marketings this year are running more than $2\frac{1}{2}$ percent below 1958 with average prices received by farmers down close to 3 percent and the total volume of marketings about the same. Receipts from livestock and products are down 4 percent from a year ago with receipts from hogs, eggs, and

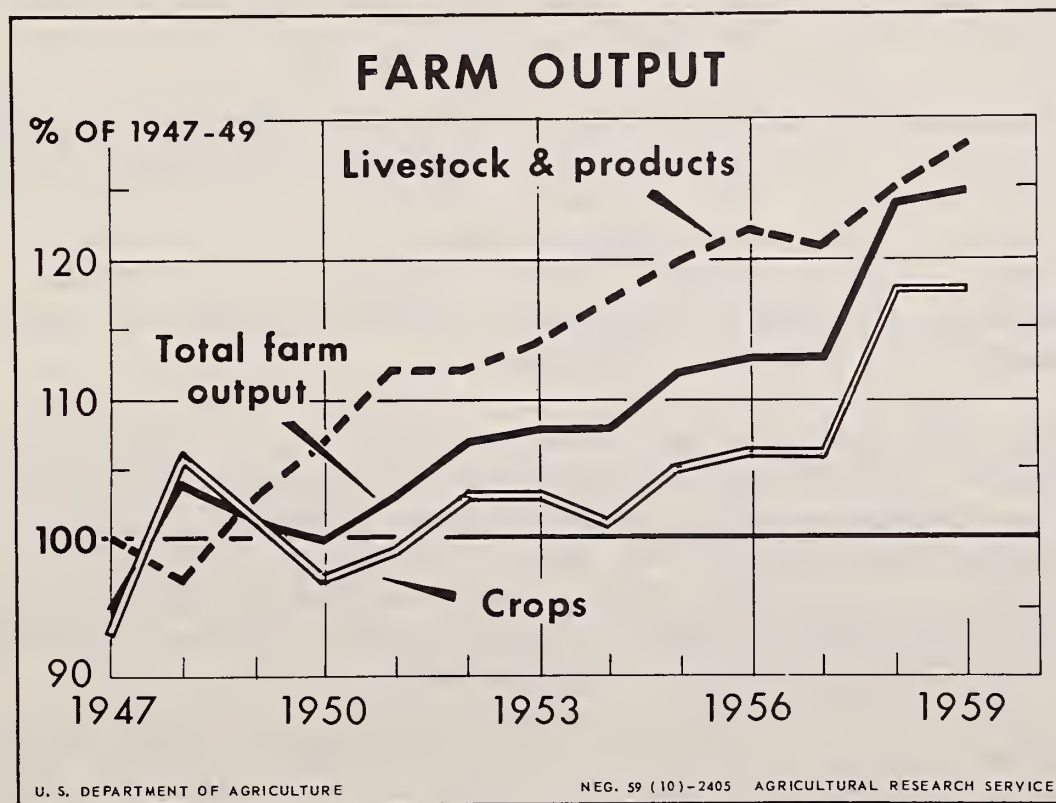
Table 9.--Comparison of average prices received for selected commodities with parity prices and support prices for 1958 and 1959 crops

Commodity	Unit	Season average price		Support price		October 15, 1959	
		1957-58	1958-59	1958 crops	1959 crops	Average price received	Parity price
Tobacco:							
Flue-cured	Ct. per lb.	55.0	57.7	54.6	55.5	55.2	61.3
Burley	Ct. per lb.	60.3	66.1	55.4	57.2	---	63.3
Food grains:							
Wheat	Dol. per bu.	1.93	1.72	1.82	1.81	1.76	2.35
Rye	Dol. per bu.	1.07	1.00	1.10	.90	1.02	1.49
Rice (rough)	Dol. per cwt.	5.11	4.81	4.48	4.38	4.65	5.80
Feed grains:							
Corn	Dol. per bu.	1.11	1.11	<u>1</u> /1.36	1.12	.990	1.70
Oats	Dol. per bu.	.606	.575	.61	.50	.650	.832
Barley	Dol. per bu.	.885	.892	.93	.77	.866	1.27
Grain sorghums	Dol. per cwt.	1.74	1.76	1.83	1.52	1.48	2.52
Oilseeds:							
Cottonseed	Dol. per ton	51.10	43.80	41.00	34.00	39.10	66.60
Soybeans	Dol. per bu.	2.07	2.00	2.09	1.85	1.93	2.88
Peanuts	Ct. per lb.	10.4	10.6	10.7	9.7	8.93	12.8
Flaxseed	Dol. per bu.	2.94	2.69	2.78	2.38	3.21	3.94
Dry edible beans	Dol. per cwt.	7.16	6.75	6.18	5.35	6.61	8.82
Cotton							
American upland	Ct. per lb.	29.03	<u>2</u> /	31.23	<u>3</u> /30.40	32.51	37.80
Wool (grease basis)	Ct. per lb.	53.7	36.4	62.0	62.0	41.8	71.6

1/ Support price in commercial area, in compliance with allotments. For corn produced in the Commercial area not in compliance, the rate was \$1.06 per bu.

2/ Not available.

3/ Purchase price for Choice A cotton. Choice B loan rate is 24.70 cents.



broilers accounting for most of the decline due to lower average prices. Receipts from cattle are up from a year ago as a result of higher prices. Crop receipts are running 1 percent above a year ago with higher receipts from cotton, corn, oranges, tobacco more than offsetting declines in receipts from wheat and sorghum grain.

Soil Bank payments this year are expected to total around \$300 million, about \$500 million below 1958, reflecting the discontinuance of the Acreage Reserve Program. Payments under the Wool Incentive Program are up this year.

Production expenses so far this year are up considerably from the comparable period in 1958. Accounting for most of the increase in total expenses are higher outlays for purchased livestock, hired labor, fertilizer, repair and operation of farm capital items, and increased depreciation charges.

LIVESTOCK AND MEAT

Livestock production and slaughter in 1960 will show a gain over 1959. The number of hogs to be slaughtered will probably be a little larger than this year, though the increase in hog production appears to be slowing down and there are indications of a possible decline in the pig crop next spring. Cattle herds are being increased rather sharply and some gain is expected in slaughter next year over this year's low rate. Sheep and lamb slaughter will likely show a modest gain next year following a slight gain in numbers on farms.

Meat output has been increasing for two years and will probably set a new high in 1960. Production of all classes of meats will be up, with the largest increase in beef. Consumption this year is around 158.5 pounds per person and next year it very likely will reach 161 pounds, but such a rate of consumption would still be below 1955 and 1956 rates.

Cattle and calf slaughter this year is down 6 percent and over 5 million head are being added to farm inventories. Numbers will likely continue to increase for several years. The expanded production will result in a cyclical increase in slaughter and future decrease in prices. As at comparable stages of previous cycles, changes during 1960 are likely to be moderate. However, if weather conditions or other developments sharply reduce or increase marketings, price changes will be much greater.

Slaughter supplies next year will continue to be dominated by fed cattle. As liberal supplies for slaughter seem assured, at least during the first half of 1960, a price rise next spring equal to that of last spring is not likely. Fed cattle slaughter later next year will come largely from calves and light-weight cattle going on feed this fall. Grass cattle slaughter, including cows, during the last half of 1960 could show significant gains over these months in 1959, and bring somewhat lower prices.

The outlook for hogs next year is based largely on the increase in supply already in progress and the possibility for a downturn in next spring's pig crop. Producers' intentions in June were to increase 1959 fall farrowings 8 percent.

In September producers in 10 of the Corn Belt States indicated they had shaved this increase back to 5 percent. These farrowings will influence slaughter through the first 4 to 6 months of 1960 when hog slaughter will average somewhat above 1959. As a result, prices of hogs are likely to continue near present levels during next winter and spring.

The supply of hogs during the last half of next year will come largely from the 1960 spring pig crop. The 10-State intentions in September were for a 4 percent reduction in the first half of the spring season (December-February). These three months last year accounted for an unusually high proportion of the spring crop. Intentions for the entire spring crop will be reported in December. The low hog-corn price ratio this summer and a rather disappointing experience with early pigs in 1959 were the principal factors leading to a reduction in early pigs. However, the corn crop is a record and if there is some shift toward later spring farrowing, the total 1960 pig crop may be down only slightly. Accordingly, the total 1960 spring pig crop may be down only slightly from this year. Such a spring crop would mean that hog prices in the fall and winter of 1960-61 would be at least as high as this fall and winter.

Sheep and lamb numbers increased during the last 2 years and this year some further gain is being made. Improvement in range conditions, the wool incentive program and higher prices for meat animals generally encouraged expansion. Since June, lamb slaughter has been higher, and prices have been lower, than last year. This winter this situation will probably be reversed. Lamb and mutton output in 1960 is expected to be up enough to provide each consumer with fractionally more than the 4.5 pounds per person in prospect for this year. Prices next year will probably average close to 1959 prices.

Profitable returns from meat animal production in 1960 will require careful planning and management. Feed costs may be somewhat lower next year but lower average prices for livestock are also likely. Meat production is at a high level and demand is strong.

DAIRY PRODUCTS

The 1960's probably will start off with supplies of all dairy products combined on a fat solids basis approximately in balance with demand at 1959 prices. For the last seven years, excess milk production has kept dairy prices at support levels most of the time. Supplies of solids-not-fat will continue to exceed commercial consumption at support levels. During 1960, prices to farmers for milk and butter-fat probably will be above 1959 levels part of the time, giving a higher average for the year as a whole. The volume of dairy products sold by farmers probably will reach a new high record next year, bringing a new high in cash receipts from the sale of dairy products. However, costs of most items used in farm production will be higher. But this may be offset in part by lower feed prices and net income from the dairy enterprise in the aggregate probably will be about as high as in 1959, perhaps slightly higher.

The improved situation in prospect for 1960 does not mean that the dairy industry's longer run problems are all solved. With a decline in beef cattle prices in prospect within the next year or two there is a possibility that milk production will increase fast enough to again create a surplus problem.

The rise in population of one and three-quarter percent a year will bring a substantial increase in total demand. But demand per capita for dairy products measured on a milkfat basis has been declining for the last 10 years or longer. Declines in per capita consumption of butter and evaporated milk have been marked. Over the next decade, as in the one now closing, there will be further shifts in family income distribution to higher levels and proportionately more people in the young, milk consuming age brackets. On the other hand, as in the past decade, there may be still further shifts in consumers' tastes and preferences away from some dairy products, and prices of vegetable oils may decline still further relative to milkfat prices.

The net effect of these influences is likely to be no increase in per capita consumption of dairy products at constant relative prices, measured on a milkfat basis, during the next ten years, and there may be some further decreases. On the other hand, some increases are likely in per capita consumption measured on a solids-not-fat basis at constant relative prices. However, the surplus has been much greater for milk solids-not-fat than for milkfat. At the present rate of transition from farm separated cream to whole milk sales, and decreasing consumption of milk and its products on farms, sales off farms of solids-not-fat could increase for another 10 years even if milk production remains stable.

Production of milk declined slightly in both 1958 and 1959, after increasing from 116 billion pounds in 1952 to 125.7 billion in 1957. The total expected for this year is about 124.7 billion pounds. Milk production during the last 10 years particularly has come to be more closely related to developments in the meat animal industry, especially beef cattle. This stems from the fact that the demand for beef is expanding more than the population and is attracting farm resources from several enterprises, including dairying.

There is a net relative transfer of resources out of dairying each year, the rate depending considerably upon the relationship between beef and milk prices. A brief letup in this transfer out of dairying could lead to a substantial rise in milk output. This is largely what caused the increase of nearly 6 billion pounds in the single year 1953, stimulated by sharply declining beef prices. It was the only year since 1944 during which number of milk cows increased. Their rate of decrease has been influenced largely by the milk-beef price relationships, though hog and feed prices also have been influential. The net increase in milk production between 1954 and 1959 resulted from a delicate balance among three factors--(1) rising production per cow, (2) rising numbers of cows per farm, and (3) rather sharp annual reductions in numbers of farms with milk cows, giving a reduction in total numbers of milk cows.

The number of beef cattle has been building up rapidly for two years, after a record short period of decline. In early stages of past cycles, declining beef prices generated increased sales. It is likely that beef cattle prices

will decline within the next 2 or 3 years. This, together with continued large roughage supplies and growing supplies of feed concentrates, in all probability will result in increased milk output. It appears that the stage for such a reaction will be set in 1960, with just enough price strengthening among dairy products to give dairy farmers renewed confidence.

Per capita consumption of ice cream and fluid milk turned upward in 1959, apparently reflecting the larger consumer incomes. However, use of butter and cheese was steady, and evaporated milk showed its 11th annual decline, making it 11.7 pounds per capita compared with 18.4 pounds in 1948. Retail prices for dairy products edged upward in 1959, in contrast to a drop for many other foods. Over the years, retail dairy prices have declined relative to other foods--5 percent since 1949, 10 percent since 1939. Per capita consumption of dairy products as a group from commercial sources probably will show a decline in 1960 and retail prices will average above 1959.

POULTRY AND EGGS

For eggs and broilers, there are indications of reduced production early in 1960, as a consequence of a very sharp price-cost squeeze during 1959. For turkeys, the production outlook is not yet set, but a repetition of the 1959 record crop is a possibility. The prospective cutbacks in supply of eggs and young chickens will tend to strengthen prices for those commodities, but price increases are likely to be slow on account of special circumstances affecting the individual commodities.

Although the egg-laying flock in early 1960 will be smaller than a year earlier by perhaps 2 to 4 percent, egg production at the beginning of the year will be rising seasonally. By mid-February, as usual, it is likely to become so large as to require a substantial diversion of current production to cold storage to clear the market. If by then there is no expectation of a substantial cutback in the number of replacement pullets being raised, shell and frozen egg will move into storage only at low prices, perhaps almost as low as in the late spring of 1959.

If, on the other hand, evidence of a cutback in chickens raised becomes apparent early in the spring, strong interest in storage will tend to sustain springtime prices. But extremes in any one of these factors -- springtime prices, amount of storage, and numbers of chickens raised -- would tend to induce compensating adjustments in the others, so that the net result would be to suppress extremes in either supplies or prices.

Egg production in the first half of 1960 likely will be below 1959 owing to the reduced flock. In the second half of 1960 output will be affected by the availability of replacement pullets; but the possible reduction in such birds is likely to be offset by continued higher rates of lay, resulting in a last half year egg production about up to the 1959 record. In total, 1960 egg production will thus not differ much from 1959. It will be distributed among a larger population which, however, appears to have a smaller per capita demand for eggs.

Broiler production in the first half of 1960 is also likely to be below 1959. Chick placements since May have been below the year before, and they

are likely to continue so until about mid-1960. Currently and in the recent past the cut in placements has been a response to low returns for broilers. This economic pressure has reached beyond the growers. Since May there has been a cutback also in the number of breeder-type pullets hatched for hatchery supply flocks. As a result, in about the second quarter of 1960 a smaller supply of hatching eggs may emerge as a temporary limiting factor in broiler production.

Turkey production in 1960 is likely to be up to the 1959 record of 82 million birds with more of the coming year's crop than that of 1959 of heavy-breed birds, and fewer of the light breeds, such as Beltsvilles. Heavy toms, which are commonly used in restaurants, brought the highest price of any class of turkeys during most of 1959. At wholesale they exceeded the per-pound prices of lighter birds suitable for use in homes. If the 1960 crop comes up to the 1959 level, the price will likely also be close to the prospective 1959 average of about 23 cents. The 1957 and 1958 averages were 23.4 and 23.9 cents, and the average of the preceding 5 years was slightly above 30 cents.

Because no sharp production cutbacks in the poultry industry are foreseen for 1960 -- except possibly for broilers during part of the year -- the aggregate quantity of eggs and poultry meat marketed will not decline much, if at all. But prices of eggs, chickens, and turkeys, having reached historically low levels in 1959 may rebound in 1960. For eggs and broilers particularly, after midspring the most likely price changes are increases. A slight increase is therefore likely in the 1960 level of gross income from poultry -- up from the \$3.1 billion of 1959. But because no great aggregate increase in production is to be expected, while population will be increasing, the average per capita consumption of eggs and poultry meat is likely to remain essentially at 1959 levels -- about 350 eggs per person, and about 35 pounds of ready-to-cook poultry meat.

FATS AND OILS

Supplies of edible fats, oils, and oilseeds in 1959-60 will be record large, nearly a tenth above the peak 12.9 billion pounds (oil equivalent) last year. Beginning stocks, including the oil equivalent of soybean stocks, were up sharply from 1958-59, and output will be greater than 1958-59 production. Prices of most food fats will average less than last year, mainly because of larger production, and lower support prices for oilseeds.

Since the supply of food fats is far in excess of probable domestic use, exports will have to be somewhat greater than the record 3.3 billion pounds (including the oil equivalent of soybeans) shipped out in 1958-59 if an increase in carryover stocks is not to develop. Larger exports are likely to occur because major importing areas, such as Western Europe and Japan, will continue to need imports of large quantities of edible oils and oilseeds from

us, as they probably will not be able to obtain increased supplies from sources other than the United States.

Current indications are that exports of food fats and oils (including the oil equivalent of soybeans) through September 1960 may be about 10 percent greater than the 1958-59 record of 3.3 billion pounds. Soybean exports in 1959-60 are expected to set a new record well above the 110 million bushels last year. Exports of cottonseed and soybean oil are expected to about equal the 1,335 million pounds shipped abroad in 1958-59. Lard exports are expected to total about a fourth more than the 602 million pounds in 1958-59.

The 1959-60 supply of soybeans is placed at 592 million bushels, just 3 million bushels short of last year's high. Soybean prices to farmers during the current harvesting season are averaging slightly above the national average support price of \$1.85 per bushel reflecting delayed harvesting and marketings due to wet weather and strong crusher and export demand. Soybean prices later are expected to show a fairly good seasonal rise from the harvest time low, as the trade will need to buy old crop beans from CCC later in the marketing year in order to satisfy crusher and export requirements.

Soybean crushings in 1959-60, based primarily on projected requirements for soybean meal, may total 400 million bushels or more. Soybean oil prices in 1959-60 probably will average somewhat lower than last year in spite of record demand for food fats, reflecting the sharply increased output of competitive cottonseed oil and lard. Soybean meal prices are expected to average about the same as last year.

Cottonseed production in 1959-60 is placed at 6,095,000 tons, 27 percent more than a year ago. Prices to farmers are expected to average above the 1959 CCC purchase price of \$34 per ton, basis grade (100) and about \$5 less than last season's average of \$43.80.

Lard output in 1959-60 is currently forecast at 2,925 million pounds, about 8 percent more than last year. Lard prices probably will average somewhat lower than in 1958-59. More lard is expected to be used domestically in the manufacture of shortening because of its cheapness in relation to the edible vegetable oils, and lard exports are expected to be up sharply.

The total supply of peanuts (farmer's stock basis) in the 1959-60 marketing year is placed at 2,175 million pounds, about the same as last year. The 1959 peanut crop is far above probable food and farm uses, and CCC will likely acquire the surplus under the support program. Prices to farmers are expected to average somewhat lower than for the 1958 crop, reflecting the 10 percent drop in the support price and production large enough to keep prices around the loan level.

The domestic flaxseed situation during 1959-60 is expected to be relatively tight. The 1959 crop dropped 45 percent from last year to about 22 million bushels and stocks are at a low level. The total supply of flax-

seed in the 1959-60 marketing year is placed at about 37 million bushels, 11 million less than a year earlier. Crushings for oil may be around 22 million bushels and another 3 million will be needed for seed. With exports of about 8 million bushels (over 5 of which have already moved out) carryover stocks on July 1, 1960 probably will be at the very low level of about 4 million bushels. The generally tight situation means that prices to farmers will average sharply above the 1959 support price of \$2.38 per bushel and the \$2.69 received last year.

FEED

Total supplies of feed grains and other concentrates increased to a new high of 265 million tons for the 1959-60 feeding year, 7 percent over last year, continuing the upward trend that has been underway for a number of years. The record feed grain crop of 167 million tons this year is nearly 10 million tons larger than in 1958 and 38 million above the 1953-57 average. Another record supply of feed grains is on hand. The expected result is a further increase in feed grain stocks at the close of the 1959-60 marketing year. Total supplies of high-protein feeds also are expected to be a little larger than last year. In most areas, hay supplies are fully adequate for livestock on farms, although total supplies are below last year's record.

Feed grain prices are expected to average a little lower in 1959-60 than in 1958-59 in view of record 1959 production and the decline in the general level of livestock prices which are expected to reduce the demand from some livestock producers. The 1959 support for corn is available to all producers at a national average rate of \$1.12 per bushel, 6 cents higher than the support to noncompliers last year. Supports for other feed grains are lower than they were in 1958. Prices of corn and sorghum grain have declined in recent weeks as marketing of the big 1959 crops has been underway. The big 1959 corn crop caused prices to drop considerably below the national average support of \$1.12 per bushel this fall. Although corn prices probably will rise seasonally this winter and spring, they are expected to average a little lower than in 1958-59. Sorghum grain prices have declined rather sharply this fall and are low in relation to other feed grains. The price in October was 4 cents below the 1959 support of \$1.52 per cwt., 9 cents lower than a year earlier. Oat prices are higher this year than last, reflecting the short 1959 crop, while barley prices have been close to last year's level.

Domestic use and exports of feed grains also have increased sharply in recent years and a further increase is in prospect in 1959-60. Increasing utilization reflects not only increasing livestock numbers, but also heavy feeding of grain and other concentrates per animal unit, which was 11 percent above average in 1958-59. The number of grain-consuming livestock is expected to continue liberal and the total domestic use probably will be a little heavier than in 1958-59. Exports reached a new high of 12.8 million tons in the 1958-59 October-September feeding year, and are expected to continue near

this record level in 1959-60. Total utilization and exports, however, are again expected to fall below this year's heavy production. Carryover into 1960-61 may be about a fifth larger than this year, up to around 80 million tons.

The 1959-60 corn supply is estimated at 5,959 million bushels, 13 percent above the big 1958-59 supply and 37 percent over the 1953-57 average. The 17 percent increase in the corn crop to over 4.4 billion bushels this year resulted from a 15-percent increase in acreage for harvest, and yields slightly above last year's record. Production is expected to exceed total 1959-60 utilization by 500 million bushels or more, increasing the carryover into 1960-61 to over 2.0 billion bushels. The sorghum grain supply has increased sharply in recent years to nearly 1.1 billion bushels for 1959-60, more than 3 times the 1953-57 average. Barley supply, on the other hand, is 5 percent smaller than last year, and the oat supply is down 17 percent, smallest since 1947.

Supplies of high-protein feeds for 1959-60 are expected to be a little larger than in 1958-59. Much of the prospective increase will be in cottonseed meal. Soybean meal production is expected to at least equal, if not exceed, this year's record output of 9.5 million tons. Larger production of animal protein feeds is in prospect, but smaller production of linseed meal. Wholesale prices of high-protein feeds in 1959-60 may average somewhere near the 1958-59 level.

The 1959-60 hay supply is down 6 percent from the record supply last year, but is above the 1953-57 average both in total and per animal unit. Hay supplies are well distributed by areas, and pastures and ranges are in good conditions over most of the country this fall.

WHEAT

The carryover of wheat at the end of the 1959-60 marketing year may be about 1,365 million bushels, close to 90 million bushels above the record last July 1. A further increase in the size of the carryover may occur at the end of the 1960-61 marketing year, if yields continue at the high level of recent years and exports continue at about the present level.

The total U. S. wheat supply for the marketing year beginning July 1, 1959, estimated at 2,404 million bushels, is an all-time record. It exceeds the previous peak last year by about 50 million bushels, or 2 percent, and the 1957-58 year by about 530 million bushels, or 29 percent. A sharp increase in the carryover from last year more than offsets a 24 percent reduction in this year's crop.

Domestic disappearance in 1959-60 is expected to be about the same as the 629 million bushels last year. Exports are expected to total about 410 million bushels, somewhat smaller than the 443 million exported in

1958-59. On the basis of these estimates, the carryover July 1, 1960 would total about 1,365 million bushels. This compares with 1,279 million bushels this year and with 881 million on July 1, 1958.

Analysis of supply and distribution by classes shows a further substantial increase in the prospective carryover of hard red winter wheat next July 1, little or no change in the prospective carryover of soft red winter and moderate reductions in the prospective carryover stocks of hard red spring, durum and white wheats.

With the minimum national allotment of 55 million acres in effect for 1960, it is estimated that a little more than 53 million acres may be harvested. Should the 1956-59 average yield of 22.6 bushels be obtained, a crop of about 1.2 billion bushels would be produced. A crop of this size would be about 8 percent larger than the 1959 crop and would again exceed domestic requirements and exports, resulting in a further increase in the carryover. If imports, domestic disappearance and exports were the same as those estimated for 1959-60, a crop of the size indicated would result in an increase in the carryover July 1, 1961 by about 170 million bushels over that estimated for July 1, 1960.

The "advance" minimum national average support price of \$1.77 per bushel for 1960-crop wheat was announced on July 8. The average support price for the 1959 crop was \$1.81 and for 1958-crop wheat, \$1.82. The \$1.77 per-bushel minimum average support for 1960-crop wheat is 75 percent of the July 1959 modernized parity price of \$2.36 per bushel (announced June 30). This "advance" minimum price will not be reduced, but could be raised if the parity price at the beginning of the 1960 marketing year is higher.

For this time of the year, market prices are higher than usual relative to the support level and are above a year ago. The relative strength in prices this year reflects the large quantities withheld from the market and a smaller crop than last year.

As in recent years, prices are expected to strengthen seasonally in the next month or two, but the increase is likely to be less than last year because of the advance to date. Reflecting the early season strength in market prices, the U. S. price to farmers in 1959-60 may average slightly higher than the \$1.72 for last year, even though the support price of \$1.81 is down 1 cent.

RYE

The supply of rye for 1959-60 totals about 38 million bushels. This consists of a carryover of 12.7 million, estimated production of 21.0 million and imports of 4.3 million bushels (restricted by quotas). This supply is 17 percent below a year earlier and 10 percent below the 1953-57 average.

Domestic disappearance of rye in 1959-60 may total about 23 million bushels compared with 24.4 million in 1958-59 and the 1953-57 average of 24.3 million. Rye exports may total about 5 million bushels, which approximates the 1953-57 average but is below the high level of 8.5 million bushels in 1958-59. Based on these estimates, the carryover July 1, 1960 may be about 10 million bushels, which compares with 12.7 million a year earlier and the 1954-58 average of 12.9 million bushels.

If about 1.6 million acres of rye are harvested in 1960 -- and that assumes some increase over the 1.4 million this year -- and if yields are about equal to the average of the last 3 years, a crop of about 26.4 million bushels would be produced. With a carryover of 10 million bushels and restricted imports of 2.4 million, supplies would total 38.8 million bushels. If domestic feed use were increased by a million bushels and exports were the same as estimated for 1959-60, the carryover July 1, 1961 would be 10 million bushels, unchanged from that estimated for a year earlier.

The 1959 rye crop is being supported at an average of 90 cents per bushel. In 1958 the average support was \$1.10 and in 1957 it was \$1.18. Reflecting primarily the smaller crop, prices to growers in July-September were 7 percent above a year earlier.

RICE

If about the same acreage of rice is harvested in 1960 as in 1959, and if yields are about equal to the average of the past three years, a crop of about 52.0 million cwt. would be produced, compared with 52.6 million cwt. in 1959 and 53.1 million, the 1953-57 average. With domestic disappearance estimated at 26.6 million cwt., exports would have to be 25.4 million cwt. to avoid increasing the carryover August 1, 1961. Exports of this size would be below the estimated 29.0 million cwt. projected for 1959-60, and below only one other year, 1956-57, when 37.5 million cwt. were exported.

The carryover of rice on August 1, 1959 was 15.7 million cwt., in terms of rough rice, down 2.5 million cwt. or 14 percent from a year earlier. The 1959 crop as of October 1 was estimated at 52.6 million cwt., 5.6 million cwt. or 11 percent larger than a year earlier, reflecting an increase in acreage and record yields. With imports negligible, the total supply amounts to 68.4 million cwt.

Domestic use of rice in 1959-60 is estimated at 26.4 million cwt., 0.5 million above a year earlier. Domestic use is made up of the following items, in million cwt., with 1958-59 in parentheses: Food, 18.8 million (18.6); brewers use, 5.0 (4.7); seed, 2.1 (2.1) and feed, 0.5 (0.5). Exports are tentatively estimated at 29.0 million cwt., sharply above the 19.7 million last year. On the basis of these estimates, the carryover August 1, 1960 may be about 13.0 million cwt., down 2.7 million from the carryover August 1, 1959.

Rice prices received by farmers, including an allowance for unredeemed loans, have averaged above support levels in all but two years, 1951-52 and 1954-55. In 1958-59, the price to farmers averaged 33 cents above the national average support of \$4.48 per cwt. In 1959-60, they are expected again to average above the support rate announced at \$4.38 per cwt.

FRUIT

Supported by an increasing flow of income, consumer demand for fresh and processed fruits is expected to continue strong in 1960. From now until mid-1960, total supplies of fresh and processed fruits are expected to be moderately larger than in the same period of 1958-59.

Markets within the United States continue to be by far the principal outlet for fruit produced in the United States, but export outlets are always a factor. Prospects are for larger exports of most United States fresh and processed fruits in 1959-60 than in 1958-59, in view of decreased deciduous fruit production, some reduction in import restrictions and continuing prosperity in Europe. Increased availability of U. S. canned and dried fruits for export in 1959-60 should result in larger exports of these items, though at lower prices than in 1958-59. But competition from foreign dried fruit and Mediterranean citrus is expected to be heavy in European markets.

Among 1959-crop deciduous fruits that will continue to be marketed fresh this fall and winter, 1959 production of commercial apples, as indicated October 1 is 9 percent smaller than in 1958, but that of fall and winter pears in the Pacific Coast States is up 11 percent, grapes are up 7 percent, and cranberries are up 9 percent. In late October, prices for apples at various shipping points ranged from a little below to considerably above year-earlier levels, depending upon varieties and style of pack. With much lighter sales, prices for Bartlett pears on the principal auctions averaged considerably higher than a year earlier. Prices for grapes at shipping points in California were generally lower than a year earlier, and prices for cranberries on the New York and Chicago wholesale markets were not greatly different from a year earlier. The 1959 crop of all deciduous fruits combined was about 3 percent larger than the 1958 crop and 8 percent above the 1948-57 average.

Increased production of citrus fruits, and of oranges, especially, is in prospect for 1959-60. The new crop of early and midseason oranges, now on the way to market, is expected to be about 3 percent larger than the 1958-59 crop and 12 percent above average. For Valencias, prospective production is up in Florida, Texas and Arizona. But the 1959-60 crop of grapefruit may not be greatly different from 1958-59. However, there will be more pink and red grapefruit than last season. Fewer tangerines, but more tangelos are in prospect for 1959-60. Early-season sales of Florida oranges and grapefruit brought somewhat lower prices than in 1958.

Total production of almonds, filberts, pecans and walnuts in 1959 is expected to be about 1 percent larger than in 1958 and 4 percent above average. A record crop of almonds, about $3\frac{1}{2}$ times the light 1958 crop, plus a larger crop of filberts, about offset sharply reduced crops of pecans and walnuts. Grower prices for the 1959 crops of pecans and walnuts are expected to average higher and those for almonds and filberts lower, than prices for the respective 1958 crops. In recent years, production of these four types of tree nuts in the United States comprised about half of the domestic supply and imports, consisting mainly of cashews and Brazil nuts, the rest. Decreased imports of cashews and Brazil nuts are in prospect this season.

Increased packs of canned, dried and frozen fruits (excluding juices) are expected in 1959-60. Most of the 1959-60 packs of canned fruits so far reported are somewhat larger than packs of the same fruits in 1958-59. The total pack will be moderately above the relatively large one in 1958-59. Because of heavy increases in dried prunes and raisins, which comprise the bulk of dried fruits, total output of dried fruits in 1959-60 will be substantially larger than in 1958-59. Among frozen deciduous fruits and berries, a heavy increase in the 1959 pack of red tart cherries and smaller increases in other items are expected more than to offset a moderate decrease in strawberries and probable decreases in a few other items. On October 1, 1959, total stocks of frozen deciduous fruits and berries in cold storage were about the same as a year earlier.

Despite accelerated movement of frozen concentrated orange juice during late summer and early fall from the record 1958-59 pack, carryover stocks this fall are somewhat heavier than last fall. Stocks of canned single-strength orange juice are about the same as last fall, but those of some other canned single-strength citrus juices also are larger. Output of frozen and canned citrus juices in 1959-60 is still uncertain.

COMMERCIAL VEGETABLES

Fresh

Supplies of vegetables available for fresh market this fall are about 12 percent smaller than a year earlier and 8 percent below the 1949-57 average. Among important items, smaller crops are expected for early fall tomatoes and fall snap beans, cabbage, carrots, cauliflower, lettuce and sweet corn. About the same quantity of celery is in prospect, and somewhat larger supplies of cucumbers. Prices received by growers and retail prices during the final weeks of 1959 are expected to average moderately to substantially above those of a year earlier.

Processed

Consumers can expect continued abundant supplies of processed vegetables into mid-1960. Supplies of canned vegetables are close to the heavy supplies of a year earlier, and moderately above the 1949-57 average. Frozen vegetables are in near record supply. Prices of individual canned and frozen items compared

with a year earlier will vary, depending largely on relative supply. However, with heavy supplies of most items, wholesale prices during the winter and spring probably will average the same to slightly higher than those in the corresponding season of 1959, and retail prices slightly to moderately higher.

POTATOES AND SWEETPOTATOES

The outlook for potatoes during the next several months from the standpoint of the grower, is considerably more favorable than the bleak outlook of a year ago. Combined production of late summer and fall potatoes amounted to 200 million hundredweight, 8 percent less than the large output of 1958. Early indications also point to less winter crop potatoes. However, supplies are moderately above the 1949-57 average, and fully adequate to maintain consumption rates at year earlier levels.

This season, as during the last several seasons, Federal marketing agreements and orders are in effect in several major producing areas. These orders, will tend to restrict marketings of tablestock potatoes to the better grades and more preferred sizes. Prices through the winter are likely to average at least moderately above the low levels of a year earlier.

Production of 1959 sweetpotatoes at 18 million hundredweight is about 3 percent larger than that of 1958. Most of the increase over last year was in States with adequate storage facilities. Combined production in New Jersey, Virginia, North Carolina, Louisiana, Texas, and California was moderately larger than last year. There were substantial increases in Virginia and Texas and a moderate increase in Louisiana. Supplies of sweetpotatoes available this winter and spring probably will be a little larger than those of a year earlier.

F.o.b. prices of U. S. No. 1 Puerto Rican type sweetpotatoes, (uncured) at Southwest Louisiana shipping points for the week ended October 24 averaged \$2.18 per 50-pound crate compared with \$2.43 in the corresponding week of 1958. Prices are expected to rise seasonally into spring, and during the next 4 to 6 months are likely to average close to those of a year earlier.

DRY BEANS AND PEAS

Overall supply of dry edible beans is slightly larger this season than last. Indications are that total supply of colored beans--mainly pintos, red kidney and small reds--is materially smaller than a year ago, and in tight supply. The combined white classes, mostly pea beans and great northerns, are much larger than last year. Domestic use of all beans in the current season may be a little above that of last season. With smaller quantities of colored beans available for export, total exports this season may be smaller than the 4 million bag total for last season.

The large supply of white beans and considerably lower support rates, are likely to continue to hold prices received for white beans below those of a year earlier. Prices for colored beans may average above those of last season.

Supplies of dry peas are a third larger than the relatively light supplies of a year ago, and in excess of domestic and anticipated export demand. Domestic use of dry peas in the current season is expected to be materially larger than last season, when use for food was sharply curtailed. But indications are that Europe is not as short of peas as a year ago, and total U. S. exports are expected to be below those of last season. Prices received by growers in mid-October averaged \$3.68 per hundredweight compared with \$5.41 a year earlier. Heavy supplies of peas will keep domestic markets under pressure, and prices are expected to continue much below those of last season.

COTTON

The acreage allotment for upland cotton for the United States for the 1960 crop totals 16.3 million acres. In addition, farmers are eligible to increase their acreage by 40 percent above their regular allotments by accepting a support price that is 15 percent lower than the purchase price for cotton produced on Choice A or regular allotments. The minimum acreage allotment of 16.3 million acres continues into subsequent seasons according to legislation now in effect.

The supply of cotton during the current season is estimated at about 23.7 million bales. This is about 3.4 million bales larger than that of 1958-59. The carryover on August 1, 1959 is expected to be about the same as the 8.9 million bales of August 1, 1958.

Disappearance during the current season is estimated to be at least 14.5 million bales, or about the same as the 1959 cotton crop. Domestic mill consumption is expected to be about 9 million bales, compared with the 8.7 million bales of 1958-59. Exports are expected to increase sharply to at least 5.5 million bales, about double the 2.8 million bales exported last season.

The several causes for the increase in exports during the current season include (1) a small drop in foreign free world cotton production, (2) some increase in foreign free world cotton consumption, (3) low stocks of cotton abroad and (4) U. S. export prices that are lower relative to the price for foreign grown cotton than a year earlier. Indicators of the increase in the domestic mill consumption of cotton are the low stocks of broadwoven cotton goods in relation to unfilled orders at cotton mills, high prices for cotton fabrics and large mill margins of the cotton mills.

The per capita consumption of cotton during 1959 is estimated at about 26 pounds, the highest since 1955 and about 17 percent above consumption in 1958. Consumption of other fibers in the United States also has shown a sharp increase during the current year. Consumption of man-made fibers per person is estimated to have increased from about 9.7 pounds to about 11 pounds. In cotton equivalent terms, the consumption of man-made fibers increased from about 14.3 to approximately 17 pounds per capita.

The average 14-spot market price for Middling 1-inch cotton in October was 31.66 cents per pound compared with 34.75 cents for the same month in 1958. Average prices for August and September also were below those for the same months a year earlier. This marked the first season since 1956-57 when the average prices for the same months were below those of the year earlier. The cause of this decline is primarily a lower CCC sales price. CCC can now sell cotton through local sales agencies at 110 percent of the Choice B loan rate plus carrying charges. The Choice B loan rate is based on 65 percent of parity price announced for mid-January 1959. Before the current season, CCC could sell upland cotton only for unrestricted use at 105 percent of the current support price plus reasonable carrying charges. The lowest support price in the postwar period before the current season was based on 78 percent of parity.

WOOL

Activity in the domestic wool industry is generally at higher levels this year than a year ago. The outlook through the first half of 1960 is one of stronger demand than last year and stable prices at levels above a year earlier.

Prices received by growers for shorn wool are higher than last year. Production of shorn wool in the United States is 5 percent higher in 1959 than a year ago. Mill consumption of both apparel and carpet wool during the first 8 months of 1959 is significantly above the same period last year. Reflecting greater mill use, imports of both dutiable and duty-free wool are up sharply. In addition, wool's share of the total fiber consumed in the woolen and worsted system and in the spinning of carpet and rug yarns has increased from a year ago.

The average price received by U. S. growers for shorn wool for the 1959-60 marketing year will be 10 to 15 percent higher than received for 1958-59. The average mid-month price received by growers rose from 39.2 cents in April 1959 to 44.3 cents in August. The mid-month price eased off in September to 43.4 cents and further declined to 41.8 cents in October. Prices should fluctuate at about this fall's level through the spring of 1960.

The incentive level for U. S. producers for the 1960 marketing year has been set at 62 cents per pound for shorn wool, which is 86 percent of the October 1959 parity price. The 1960 support level for mohair has been

set at 70 cents, which is 74 percent of the October 1959 parity price. Both are at the same dollar and cents levels as those for the first 5 years of the program.

Total raw wool consumption in the United States during January-August 1959 was 290.6 million pounds, scoured basis, 40 percent above a year ago. Mill use of carpet wool was 109.6 million pounds, an increase of 65 percent over January-August 1958, while apparel wool consumption of 181.0 million pounds was 28 percent above the same period a year ago. If consumption follows a normal seasonal pattern the rest of the year, it will total close to 430 million pounds (260 million pounds of apparel wool and 170 million pounds of carpet wool). This would be about 25 percent above 1958, but slightly less than the 440 million pounds in 1956.

Reflecting the greatly increased rate of mill use, total domestic imports for the first 8 months of 1959 were 210.6 million pounds, clean content, almost double the 107.5 million pounds imported during the same period last year. Dutiable imports during January-August totaled 72.4 million pounds, 68 percent more than last year. Imports of duty-free wool during the first 8 months were 138.2 million pounds, 115 percent more than the same period last year.

The United States production of woolen and worsted fabrics, of woven carpets and rugs, and of manmade fibers are all up substantially from a year ago. The January-June 1959 output of woolen and worsted goods (except felt) was 16 percent above a year ago. Production of woven carpets and rugs during January-August was 38 percent more than the same period a year ago. The first 6 months production of manmade fibers (excluding textile glass fiber) was 30 percent more than January-June 1958.

The world wool industry is making good recovery from the textile recession of 1958. Consumption is running at near-record levels. Consumer demand has been strengthened by developments in wash-and-wear fabrics, shrinkproofing, and permanent mothproofing. Production continues high, but with the increase in consumption, exporters' stocks have declined.

World wool prices are considerably above a year ago. Prices are expected to hold generally steady between now and the spring of 1960. The average for the 1959-60 marketing year will be above that for 1958-59.

Total world consumption of virgin wool is up sharply in 1959. In the second quarter of 1959, mill use in the 10 chief consuming countries was 9 percent more than the first quarter of 1959, and 21 percent above April-June 1958. Wool textile production in the chief manufacturing countries increased during the second quarter in each of the three main sectors--top production up 14 percent; yarn output up 7 percent; and cloth production up 3 percent.

World wool production for 1959-60 is estimated by Foreign Agricultural Service to be 5,445 million pounds, grease basis, or 3,100 million pounds, clean content, a new record.

Exports from the 5 major Southern Hemisphere producing countries for the 1958-59 season were 20 percent more than the same period of 1957-58. Exporters' stocks at the beginning of the 1959-60 marketing year are estimated to be about 120 million pounds, clean basis, less than a year ago.

TOBACCO

Cigarette output in 1960 is expected to continue its upward trend and top this year's estimated output of 485 billion. The 1959 estimate is more than 3 percent above 1958 and higher than any previous year. About 58 million smokers--35 million men and 23 million women--in the United States and its overseas forces smoke cigarettes daily. Cigarette consumption in 1960 is expected to continue to gain mainly due to the increase in population and the probable larger proportion of smokers among women.

The quantity of domestic leaf tobacco utilized in cigarettes has gained little in the last few years despite a substantial increase in the number manufactured. On the average, manufacturers get more cigarettes per pounds of unstemmed tobacco than they did a few years ago. This is mainly attributable to the use of sheet tobacco and additional stems, and the smaller tobacco column in many filter tip cigarettes than in nonfilter tips. Also, use of imported tobacco in cigarettes has been increasing in recent years.

Cigar and cigarillo production is likely to continue to increase in 1960. The 1959 consumption figure at about 6.9 billion is 7 percent above 1958 and the highest since 1923. Approximately 15 percent of the total are cigarillo-size. About 12 million men--one out of five, 18 years and over--smoke cigars or cigarillos regularly or occasionally. In late 1958 and early 1959, production of cigarette-size cigars--not counted with large cigars and cigarillos--was far above the level of recent years but it has declined from the peak early this year. The 1959 total may be around 500 million, about 8 times the 1953-57 average.

Sheet tobacco binders have replaced natural leaf binders on a large proportion of cigars and cigarillos and sheet tobacco is used as wrapper for several brands of cigarette-size cigars.

For smoking tobacco and snuff consumption, little change from 1959 is expected in the year ahead, but chewing tobacco consumption is likely to continue its gradual decline. The 1959 output of smoking tobacco for pipes and "roll-your-own" cigarettes is estimated at 74 million pounds--3 percent lower than in 1958 but 5 percent above the low point reached in 1957. The 1959 output of chewing tobacco and snuff are estimated at 68 and 34 million pounds, respectively--both about 2 percent lower than 1958.

Exports of unmanufactured tobacco in the 1958-59 marketing year totaled 536 million pounds, farm-sales weight-- $1\frac{1}{2}$ percent above 1957-58 and slightly above the average of the previous 10 years. Tobacco exports in 1959-60 are

expected to be fairly near the 1958-59 level. Sustaining the export demand for U. S. tobacco are the steady increase in cigarette manufacture and the rising economic activity abroad, particularly in Western Europe. Adversely affecting U. S. exports of tobacco, however, are trade barriers in various forms in many countries and increased competition from other producing countries. The U. S. share of the total volume of tobacco moving in world trade has been trending downward during the last several years.

For most kinds of tobacco, supplies during the 1959-60 marketing year will be lower than in 1958-59, and appreciably below the high levels of 3 to 5 years ago.

The 1959-60 total supply of flue-cured--the leading cigarette and export tobacco--is 2 percent less than for 1958-59 and 10 percent below the record level of 3 years ago. The 1959-60 total supply of burley--the second ranking cigarette tobacco--is about 1 percent lower than for 1958-59 and 7 percent below the peak of 5 years ago. Declines in carryovers of both flue-cured and burley more than offset increases in this year's production over last. The 1959 crops of flue-cured and burley are below anticipated 1959-60 disappearances, thus their carryovers by the beginning of the 1960-61 marketing year are likely to be reduced still further.

The 1959-60 total supply of Maryland tobacco is estimated to be 4 percent less than for 1958-59 and the lowest in 9 years. The 1959-60 total supply of fire-cured tobacco is close to the record low of 1958-59 but total supply of the dark air- and sun-cured types is down $4\frac{1}{2}$ percent to a new record low.

The 1959-60 total supply of Pennsylvania and Ohio filler is 4 percent above 1958-59 when it was second lowest on record. Total supplies of Connecticut cigar binder types are practically the same as a year ago but down about a half from 5 years ago. The 1959-60 total supply of Wisconsin binder types is up a little from 1958-59 but below any previous year. Supplies of the Connecticut Valley and Georgia-Florida shade-grown cigar wrapper types are a record high.

All except a small fraction of the 1959 flue-cured crop has been marketed and the overall season average price at a little over 58 cents per pound is only slightly different than for the 1958 crop. About 4 percent of the crop has gone under Government loan in contrast with over 13 percent last year. Auction markets for burley, Virginia fire-cured, and dark air- and sun-cured will be opening shortly. Kentucky-Tennessee fire-cured tobacco markets start in early January. The 1959 price support for burley is 3 percent higher than last season and nearly 11 percent higher than 2 years ago. The 1959 price supports for fire-cured, dark air-cured and sun-cured remain the same for the third successive year. Government price support will not be available for 1959 crop marketings (mostly next spring and summer) of Maryland tobacco since more than a third of the producers disapproved marketing quotas and none was in effect on the 1959 crop.

Cigar tobacco types are not marketed at auctions and buying occurs at the "barn door" during the fall and winter. Government price supports for 1959 crops of Wisconsin binder types are up a little, but for Connecticut binder types supports are almost a fourth lower than last season. The 1959 crop of Pennsylvania cigar filler was sold earlier than usual at prices that generally exceeded the favorable level of last season.

The 1960 marketing quota and acreage allotments for flue-cured will be announced by December 1 and 1960 quotas and acreage allotments for other kinds of tobacco will be announced by February 1. Soon after the quota announcements, growers of Maryland, Connecticut cigar binder and Ohio filler-Wisconsin binder tobaccos will vote in separate referendums on whether they favor marketing quotas on their next 3 crops. Marketing quotas will definitely be in effect for the 1960 crops of flue-cured, burley, fire-cured, dark air-cured and sun-cured tobaccos since growers approved them in referendums held in the past year and in February 1958.

Under existing law, the Government price supports for the kinds of tobacco under Federal marketing quotas in 1960 will be supported at 90 percent of parity except for fire-cured and dark air- and sun-cured. The support levels for the latter types are set at fixed percentages of the burley support level (75 percent and 66-2/3 percent, respectively), but they cannot exceed 1957 levels unless 90 percent of the parities for these kinds exceeds such levels.

NAVAL STORES

Gum rosin and gum turpentine prices in the 1959 crop year (ending March 31, 1960) are expected to be about 12 and 4 percent higher, respectively, than a year ago. The rising trend in rosin prices is likely to continue through the 1960 crop year. Turpentine prices probably will level off.

Increased rosin prices reflect greater domestic and export requirements in the face of static output. Although overall rosin production is likely to be unchanged in the 1959 crop year, output sources will continue to shift. A 15 percent increase in tall oil rosin production is expected to offset decreases of about 6 percent in gum and 2 percent in steam distilled wood rosin. In 1960 and later crop years, increasing shift away from steam distilled wood rosin and toward tall oil rosin is probable. And as crude pine gum prices rise in response to increased rosin demand and prices, it is likely that the long term down trend in gum rosin production will be reversed.

Rosin carryout stocks on March 31, 1960 are likely to be less than half those of a year ago and at their lowest level in 12 years. This reflects a 70 percent reduction in CCC stocks during the current crop year. A further reduction in carryout is expected the following year, with liquidation of CCC stocks probably completed.

Domestic and export disappearance of rosin has exceeded production and imports each crop year beginning with 1953-54. This disparity is now at a peak and probably will continue extreme for at least another year. This situation reflects the greatest overall requirement for rosin since 1950.

Domestic disappearance of rosin in 1959 is expected to be at an alltime high--about 15 percent above last year. This high level of consumption reflects increased production of paper and board, S-type synthetic rubber, and polystyrene plastics. Further increases in these important rosin outlets are expected in the next few years; consequently, the outlook is for continued high level domestic requirements.

Exports of rosin in the 1959 crop year probably will be about 22 percent above the previous year and the highest since 1954. A contributing factor to this increase is the sharp decline in shipments of Chinese rosin to countries outside the Communist bloc. Another factor is increased foreign consumption. In the next few years, reduced U. S. supplies and increasing domestic requirements are expected to curtail the volume of rosin available for export.

A 2 percent increase in turpentine production is expected in the 1959 crop year. This halts a downtrend in turpentine production that started in 1956. Increased sulphate wood turpentine production should more than offset decreased output from other sources. Although production as a whole is not expected to change much in the next few years, more sulphate and gum and less steam distilled will be produced. Despite sale of all CCC turpentine stocks early this crop year, not much change is expected in overall turpentine stocks next March 31.

Domestic consumption of turpentine is not likely to change much during the 1959 crop year. However, continued increase is expected in utilization for industrial purposes as opposed to retail sales in small containers. During the 1958 crop year, 72 percent of domestic consumption was for industrial use, compared with 20 percent ten years earlier. Principal industrial uses are in synthetic pine oil, insecticides, synthetic resin, synthetic camphor, and in oil additives. The first three markets are strong, the latter two declining.

Turpentine exports are likely to be at least 10 percent lower in 1959-60 than the year earlier.

FOREST PRODUCTS

The total volume of round timber products produced in 1959 is estimated at 11.2 billion cubic feet. This is 9 percent higher than production in 1958 but 3 percent below 1956, the peak postwar year. Production of industrial

roundwood is estimated at 9.5 billion cubic feet and fuelwood 1.7 billion cubic feet. Sawlogs, veneer logs, and pulpwood all showed increases in production in 1959.

Stumpage prices for national forest timber increased rather sharply during the first two quarters in 1959.

Lumber production in 1959 is estimated at 37 billion board feet--about 12 percent above production in 1958, and 3 percent above average annual production during the last five years. Total lumber consumption--domestic production plus imports minus exports and additions to stocks--is estimated at 40.1 billion board feet. This is the highest level of consumption attained since the boom year of 1955.

The West is expected to account for about 54 percent of the lumber produced in 1959, the South 33 percent, and the North the remaining 13 percent. Softwoods, chiefly Douglas-fir, southern pine, ponderosa pine, western true firs and hemlock, account for about 80 percent of total production.

In contrast to the increase in production, sawlog price quotations have shown little change. The wholesale price index for lumber, however, has increased sharply, rising from 115.9 in April 1958 to 130.0 in June 1959 (1947-49=100). In this period most of the materials that compete with lumber showed little or no price increase.

Pulpwood production in 1959 is estimated at 36 million cords. This represents a new production peak--2 percent above the high reached in 1956 and 8 percent above production in 1958. Softwoods such as southern pine, hemlock, Douglas-fir, spruce and true fir account for about 82 percent of the pulpwood produced and hardwoods 18 percent. About 61 percent of total production is in the South, 20 percent in the West, and the remaining 19 percent in the North.

Production of chipped residues obtained from sawmills and veneer mills is estimated at 6 million cords, a peak in a trend that has been sharply upward since 1944. During the past three years production of pulpwood from residues has increased about 2.5 million cords while production of roundwood pulpwood has decreased 1.7 million cords.

Pulpwood prices have been rather steady in recent years. In the Southeast, for example, prices of rough pine pulpwood at local points of delivery in mid-1959 averaged \$15.60 per cord, about the average for the period 1956-1958.

Softwood peeler log production in 1959 is estimated at 3.1 billion board feet--about 16 percent more than in 1958, a year in which 2.7 billion board feet was produced. This is generally in line with long-run trends. Production of hardwood veneer logs in 1959 amounted to 1.0 billion board feet--about the same as in recent years.

Price quotations for Douglas-fir No. 1 peeler logs in July 1959 ranged between \$111 and \$116 in the Puget Sound log market and from \$108 to \$113 in the Columbia River market. This price level has been maintained without significant change during the past three or four years. Prices for hardwood veneer logs have displayed a similar stability.

Production of other industrial roundwood products such as cooperage logs, poles and piling, fence posts, hewn ties, round mine timbers and miscellaneous products is estimated at 730 million cubic feet in 1959 about 8 percent of the industrial roundwood produced. Recent trends in production show increases for some products and decreases for others, with little change in total production.

Consumption of Christmas trees in the United States in 1959 is expected to be somewhat above 40 million trees. Imports from Canada have totaled between 10 and 12 million trees annually in the last few years. Prices paid for Christmas trees on the stump have varied widely, ranging from as low as 25 cents for wild trees to \$2.00 or more for plantation grown trees. The relatively high prices paid for plantation-grown trees has attracted many new producers, suggesting the likelihood of increasingly strong competition for available markets in the future.

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